

# Financial Results for FY 2022 (Ended Sep. 2022)



Received the grand prize in the 31st (Fiscal 2022) Bingata Design Contest

“Garden of the Sun” Kiwako Sakamoto

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BANK OF THE RYUKYUS GROUP

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# About Bank of the Ryukyus



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# Bank of the Ryukyus Overview

## Company Profile

Establishment

May 1, 1948

Capital

56.967 billion yen

Registered Address

1-11-1 Kumoji, Naha, Okinawa Prefecture  
900-0015

Address for  
Temporary Relocation

2-1 Higashi-machi, Naha, Okinawa Prefecture  
900-0034

No. of Business  
Locations

74 in Okinawa Pref., 1 in Tokyo

Total Assets

2.9571 trillion yen

Loans

1.8266 trillion yen

Deposits

2.6908 trillion yen

No. of Employees

1,405

Credit Ratings

R&I: A+  
JCR: A+

## Affiliated Companies

### 琉球リース

Address  
Establishment  
Capital  
Business Fields

1-7-1 Kumoji, Naha, Okinawa Prefecture  
May 10, 1972  
346 million yen (100% stock ownership by Bank of the Ryukyus)  
Leasing and installment-selling of information-related devices/equipment, office equipment, and other machinery and equipment



Address  
Establishment  
Capital  
Business Fields

2-3-10 Matsuyama, Naha, Okinawa Prefecture  
August 26, 2008  
279.12 million yen (100% stock ownership by Bank of the Ryukyus)  
Credit card, personal trust purchasing mediation, and contracted acquisition operations

### リゅうぎんディーシー

Address  
Establishment  
Capital  
Business Fields

1-7-1 Kumoji, Naha, Okinawa Prefecture  
April 25, 1984  
195 million yen (100% stock ownership by Bank of the Ryukyus)  
Credit card, loan, and credit guarantee operations

### リゅうぎん保証

Address  
Establishment  
Capital  
Business Fields

Naha Port Bldg. 7th floor, 2-1 Higashi-machi, Naha, Okinawa Prefecture  
July 2, 1979  
20 million yen (100% stock ownership by Bank of the Ryukyus)  
Debt obligation guarantee operations and similar in relation to real estate financing and consumer credit

### リゅうぎん総合研究所

Address  
Establishment  
Capital  
Business Fields

Ryugin Hoken Kaikan 3rd floor, 1-1-9 Tsubogawa, Naha, Okinawa Prefecture  
June 28, 2006  
23 million yen (100% stock ownership by Bank of the Ryukyus)  
Industrial, economic and monetary surveys; research operations; and planning and operation of lecture events, training sessions, etc.

### リゅうぎんビジネスサービス

Address  
Establishment  
Capital  
Business Fields

3-33-1 Yafuso, Urasoe, Okinawa Prefecture  
September 16, 1983  
10 million yen (100% stock ownership by Bank of the Ryukyus)  
Cash inspection and preparation/sorting, ATM maintenance and management, and delivery operations for documents and similar

# Bank of the Ryukyus History

May 1948	Precursor organization established via the Military Government Ordinance No. 1
Jan. 1972	The Bank changed from special public corporation based on Military Government Ordinance to joint-stock corporation based on commercial law, and name changed to Bank of the Ryukyus, Limited
May 1972	Business operating license acquired following Government of the Ryukyu Islands' establishment of the Banking Act, and the Bank changed from a proclamation-based bank to a commercial bank based on the Banking Act
Oct. 1983	Becomes first corporation in Okinawa Prefecture to be listed on the stock market (Tokyo Stock Exchange 2nd Section and Fukuoka Stock Exchange; later listed on Tokyo Stock Exchange 1st Section in Sep. 1985)
Sep. 1999	Fiscal soundness plan established based on 22.7 billion yen capital increase through third-party allocation and 40.0 billion yen in public financing (unsecured convertible bonds)
Jan. 2006	Judankai joint banking system (for 8 regional banks) launched
Oct. 2006	Bank acquires 34 billion yen of stock from among 40 billion yen of public preferred stock and cancels it
July 2010	Completes repayment of public loans to conclude fiscal soundness plan
Apr. 2015	Okinawa Credit Service Co., Ltd. becomes a consolidated subsidiary of the Bank
Jan. 2017	Begins offering customer services for Bank of the Ryukyus Card affiliates
July 2017	Ryukyu Leasing Co., Ltd. becomes wholly owned subsidiary of the Bank
May 2018	Celebrates 70th anniversary of bank founding
Sep. 2018	Capital increase through 5.6 billion yen public offering
Nov. 2019	Bank of the Ryukyus Group SDG Declaration established
Apr. 2020	SINKA 2020 Medium-Term Management Plan launched
Apr. 2020	The Bank joins the TSUBASA Alliance
Dec. 2020	Headquarters temporarily relocated to Naha Port Bldg.
Jan. 2021	The Bank enters into the Okinawa Economic Revitalization Partnership with The Bank of Okinawa
Apr. 2022	Listed on new "Prime Market" section of Tokyo Stock Exchange

Bank of the Ryukyus was originally established on May 1, 1948 as a special banking organization via the Military Government Ordinance, and the US government provided 51 percent of the capital investment. The Bank was modeled after the US Federal Reserve System and Philippine National Bank, and following its initial founding was operated very much like a central bank.

In the spring of 1972, as part of preparations for Okinawa's return to Japanese sovereignty, the Bank was reorganized as a joint-stock corporation and shares in the organization held by the US government were distributed among Okinawa Prefecture citizens. As of this event, our organization began operating as a commercial bank in Japan, and in 1983 we became the first corporation from Okinawa Prefecture to be listed on the stock market.

As part of measures toward greater asset soundness for the Bank and a stronger corporate financial structure, in September 1999 we implemented a 22.7 billion yen capital increase through third-party allocation and also received 40.0 billion yen in public financing. By July 2010, we completed repayment of all public loans.

Okinawa Credit Service Co., Ltd., which handles credit-card business and personal trust purchasing mediation services, became a consolidated subsidiary of the Bank of the Ryukyus Group in April 2015, and Ryukyu Leasing Co., Ltd., which is engaged in comprehensive leasing operations, became a wholly owned subsidiary in July 2017. These and other such changes were implemented in order to strengthen the Group as a whole, thus ensuring provision of high value to our customers.

We launched our SINKA 2020 Medium-Term Management Plan in April 2020 with the goal of serving as a true leader in the banking industry that supports the local region and contributes toward its development and growth, without being swayed by challenges brought about by economic and business climate changes. To this end, we have actively provided financial support to customers affected by the COVID-19 crisis.

Additionally, in April 2020 we joined the TSUBASA Alliance, which is headed up by The Chiba Bank, Ltd., and in April 2022, Bank of the Ryukyus was listed on the Tokyo Stock Exchange's new market, the Prime Market.



## 2 Okinawa's Economy Amid the COVID-19 Crisis

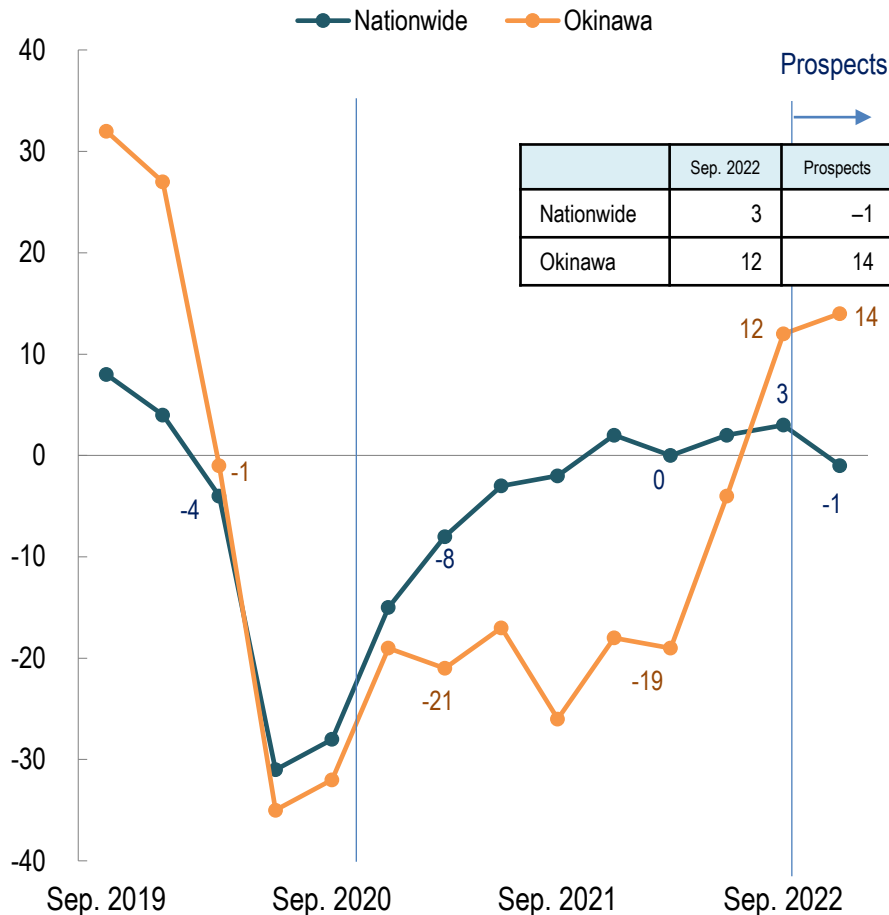


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Due to the resumption of socio-economic activities, the tourism industry has been rapidly recovering.

## Business Sentiment DI (Good/Bad)



Source: Bank of Japan Naha Branch data (for graph creation)

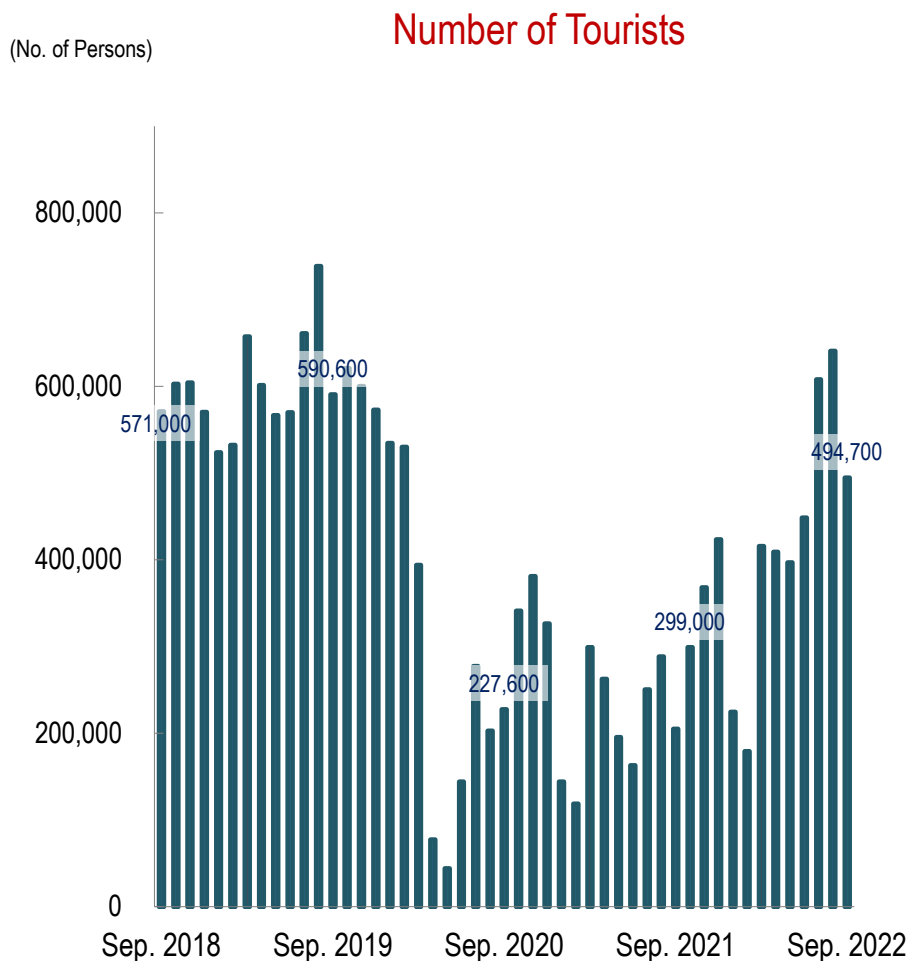
## Economic Overview of Okinawa Prefecture

- According to the Tankan's business sentiment, the signs of improvement began to be seen from March 2022 and the recovery is likely to continue.
- Future outlook improved by 2 points to 14 on the "good" side.

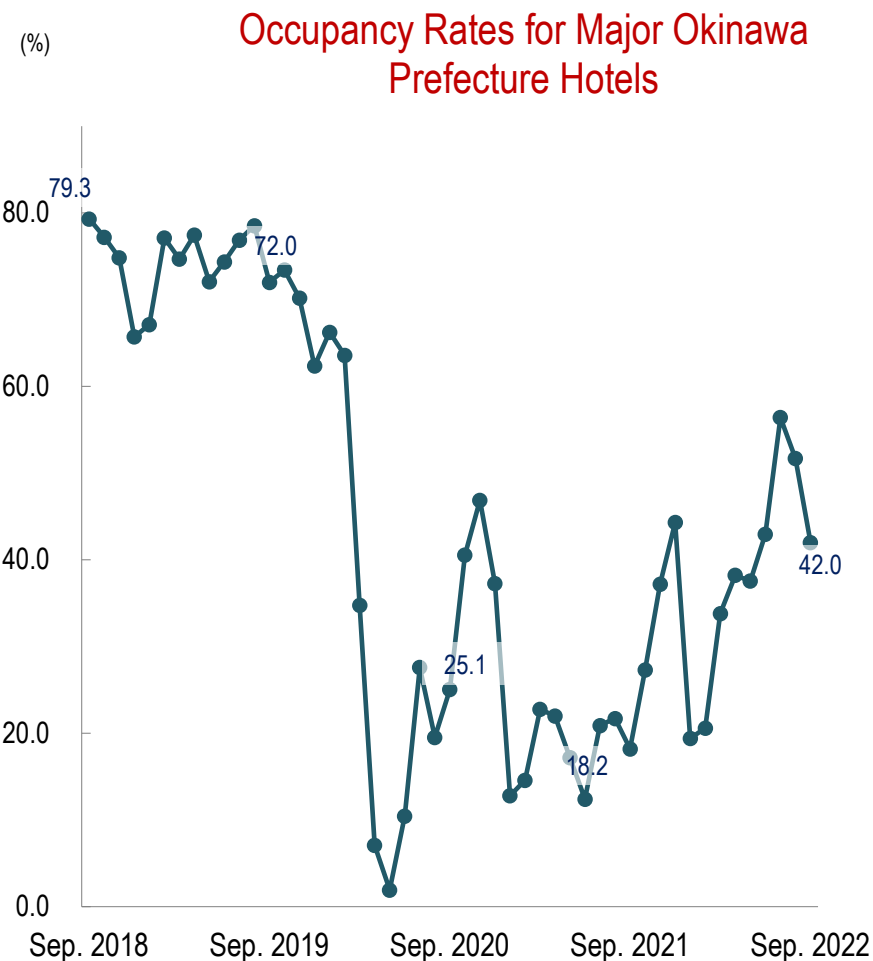
## Major Indicators

- Tourism is picking up due to the Government's efforts to stimulate tourism demand and the relaxation of border measures, etc.
- The employment situation shows signs of recovery due to the expansion of tourism demand.
- Public investment has remained firm, and housing investment shows a weakening trend.

The number of tourists coming to Okinawa and occupancy rates of major hotels are improving due to the Government's efforts to stimulate tourism demand and the relaxation of border measures.



Source: Okinawa Prefecture government data (for graph creation)



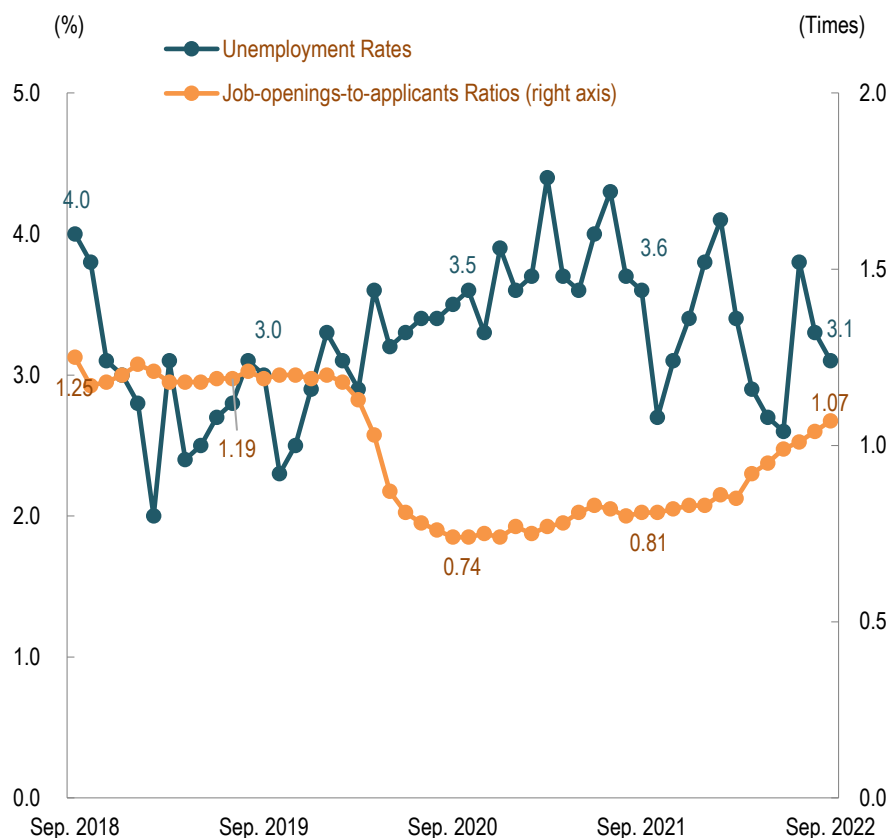
Source: Ryugin Research Institute K.K. data (for graph creation)



# Unemployment Rates, Job-openings-to-applicants Ratios, and Corporate Bankruptcies

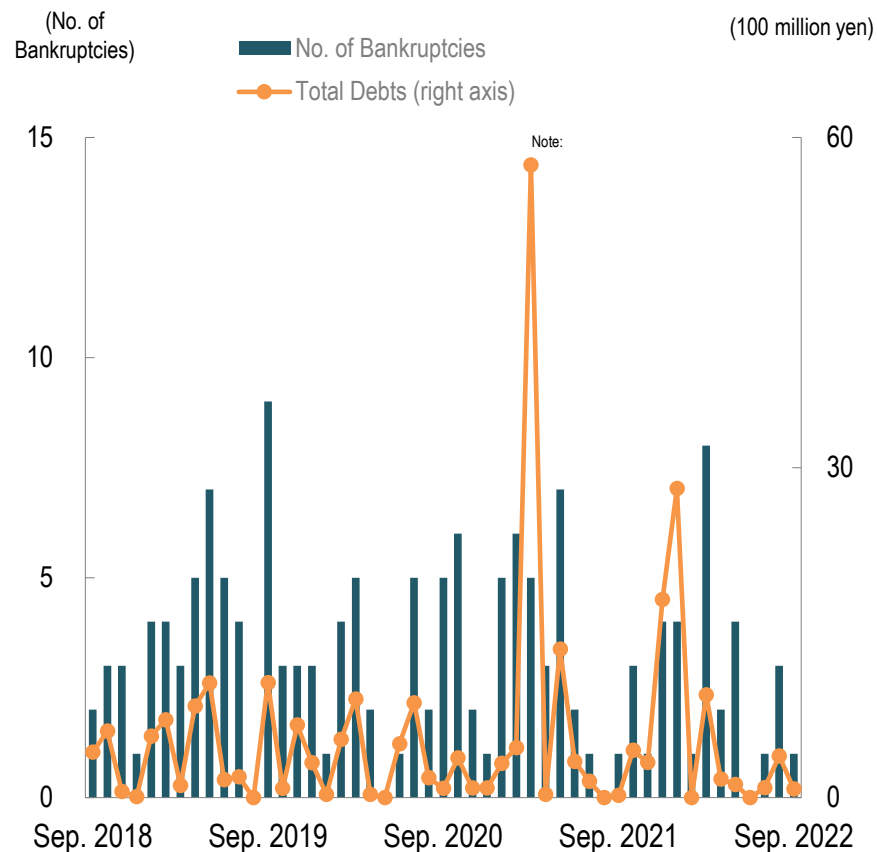
Increasing demand in tourism has led to an improving trend in increased job-openings-to-applicants ratios. The number of corporate bankruptcies has also been calm.

Unemployment Rates  
and Job-openings-to-applicants Ratios



Sources: Okinawa Prefecture government, Cabinet Office, Ministry of Internal Affairs and Communications

No. of Corporate Bankruptcies  
and Total Debts



Source: Tokyo Shoko Research

Note: [Total debts as of March 2021: approx. 5.7 billion yen]

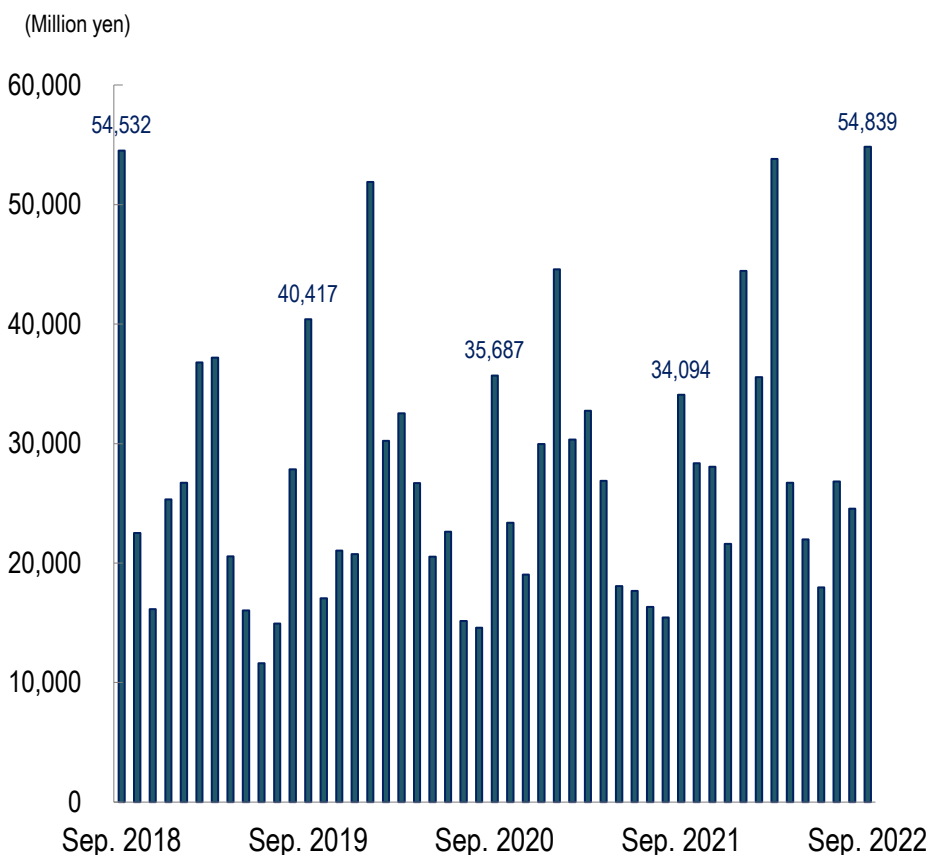
\* Accommodation industry: approx. 3.6 billion yen

\* Chemical engineering products manufacturing: approx. 1.7 billion yen

# Public Construction Contract Amounts and Numbers of New Housing Construction Projects Started

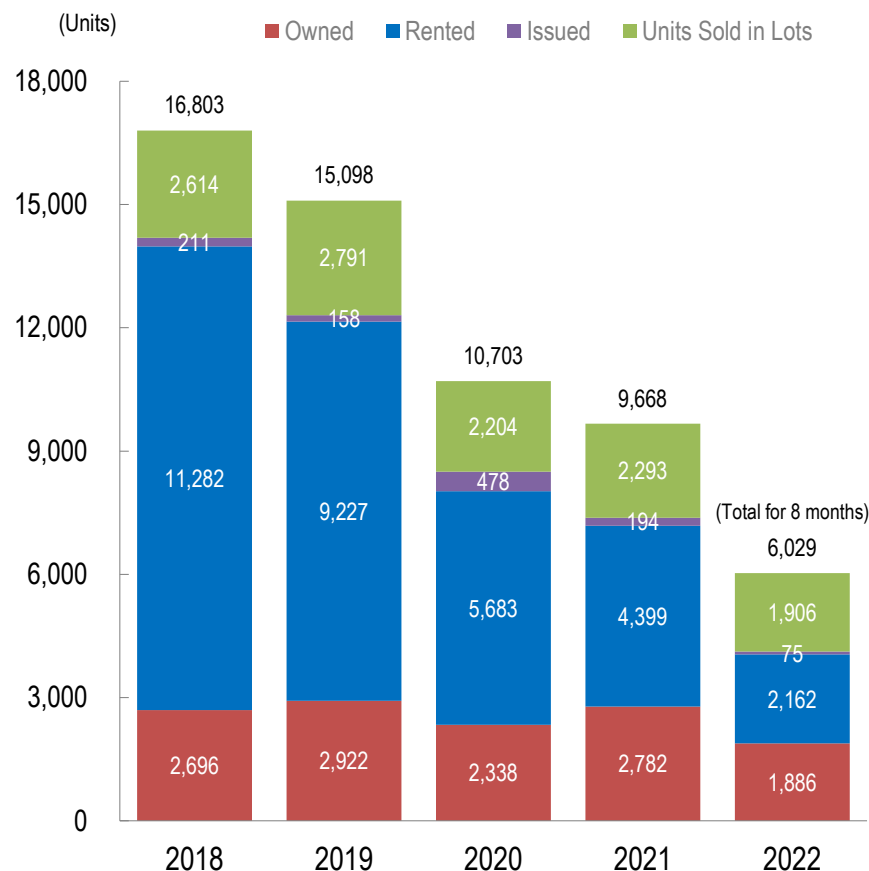
New public construction contract amounts remained strong despite the spread of COVID-19. The number of new housing starts is weak, mainly due to the decrease in the number of rental housing and owner-occupied housing starts.

## Public Construction Contract Amounts



Source: West Japan Construction Company Okinawa Branch

## Numbers of New Housing Construction Projects Started



Source: "Housing Starts Statistics," Ministry of Land, Infrastructure, Transport and Tourism

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## Financial Results for the Fiscal Year Ended September 30, 2022



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# Financial Summary (Consolidated) (1/2)

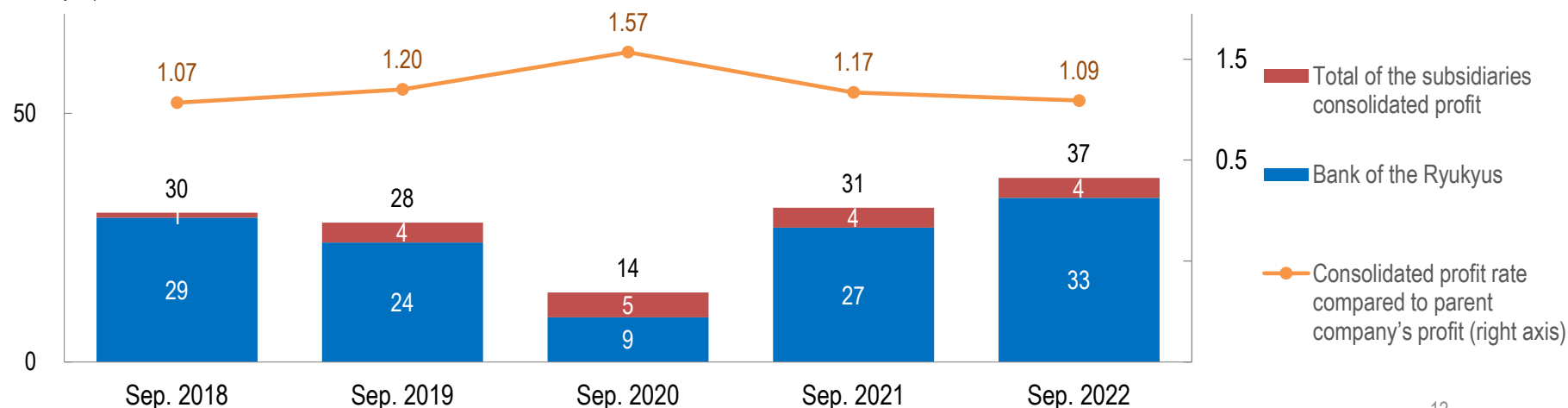
Revenue and profit increased. Consolidated interim net income increased, due to profit increase for bank only.

(100 million yen)

	FY 2022 (Ended Sep. 2022)		FY 2021 (Ended Sep. 2021)
		Year on Year	
Ordinary revenue	292	3	288
Ordinary expenses	238	-2	240
Ordinary profit	53	5	47
Interim profit attributable to owners of the parent company	37	5	31

Interim Consolidated Net Income and Consolidated Profit Rates  
Compared to Parent Company's Profit

(100 million yen)



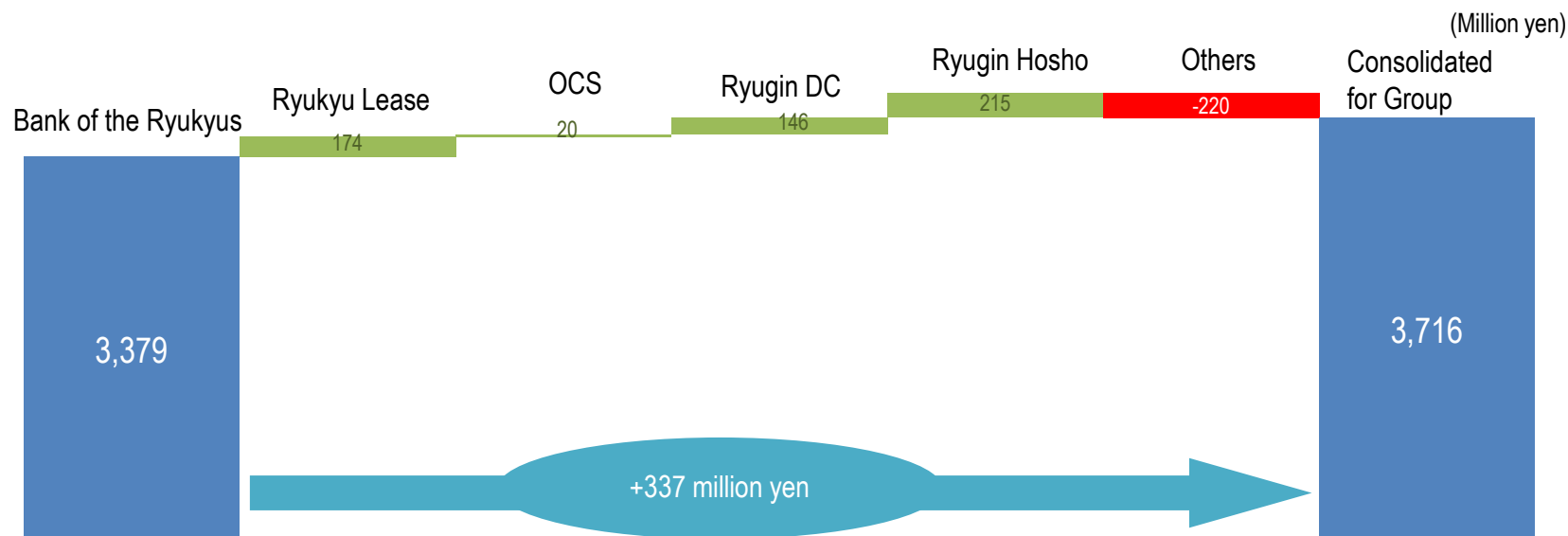
# Financial Summary (Consolidated) (2/2)

For each of the group of Bank of the Ryukyus, interim net income was secured to be in surplus.

(100 million yen)

	Bank of the Ryukyus	Ryukyu Lease	OCS	Ryugin DC	Ryugin Hosho	Others
Ordinary revenue	203	77	9	8	3	-10
Ordinary profit	47	2	0	2	3	-2
Interim net income	33	1	0	1	2	-2

Note: "Others" encompasses inter-company eliminations and also includes Ryugin Business Service Co., Ltd. and Ryugin Research Institute Ltd.



# Financial Summary (Non-Consolidated)

Revenue and profit increased. Profit from service charge increased and expenses decreased. In addition, credit costs decreased due to the reversal of general provision for doubtful accounts.

(100 million yen)

	FY 2022 (Ended Sep. 2022)		FY 2021 (Ended Sep. 2021)
		Year on Year	
Ordinary revenue	203	10	193
Business gross profit (a)	156	-1	157
Expenses (b)	121	-1	122
Real net business profit (c = a - b)	35	1	34
Net cost of credit	-10	-5	-5
Other Extraordinary Profit/Loss	1	2	-1
Ordinary profit	47	8	39
Interim net income	33	7	26

Note: Year-on-year calculation is spreadsheet based.



# Summary of Profit/Loss Trends (Non-Consolidated: September 2018 to September 2022)



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(Million yen)

	Sep. 2018	Sep. 2019	Sep. 2020	Sep. 2021	Sep. 2022	Year on year
Profit from customer services*1	1,353	1,706	1,617	2,409	2,655	+246
Deposit and loan balance*2	10,918	11,313	11,530	11,563	11,334	-229
Profit from service charges*3	2,617	2,731	2,777	3,129	3,439	+310
Expenses	-12,182	-12,339	-12,690	-12,283	-12,117	+166
Profit/loss in Trading Division	2,602	1,923	997	1,032	982	-50
Profit/loss in Securities & International Department	2,110	1,698	720	796	705	-91
Interest and dividends	1,361	621	637	506	781	+275
Gains/losses from forex and commodities trading	782	107	60	34	-195	-229
Balance of 5 bond accounts	-73	672	173	79	31	-48
Balance of 3 share accounts	-18	-320	19	29	96	+67
Policy-related investment	492	224	277	235	277	+42
Net credit costs	-126	-103	-1,330	582	1,093	+511
General provision for doubtful accounts*4	-557	-57	-864	577	1,161	+584
Miscellaneous, corporate tax, etc.	-947	-1,134	-373	-1,346	-1,351	-5
Interim net income	2,882	2,391	911	2,677	3,379	+702

\*1 Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges – Expenses

\*2 Balance of deposits and loans (incl. loan-related fees). Interest on deposits is calculated based on currency swap income in real terms.

\*3 Profit from service charges (excl. loan fees).

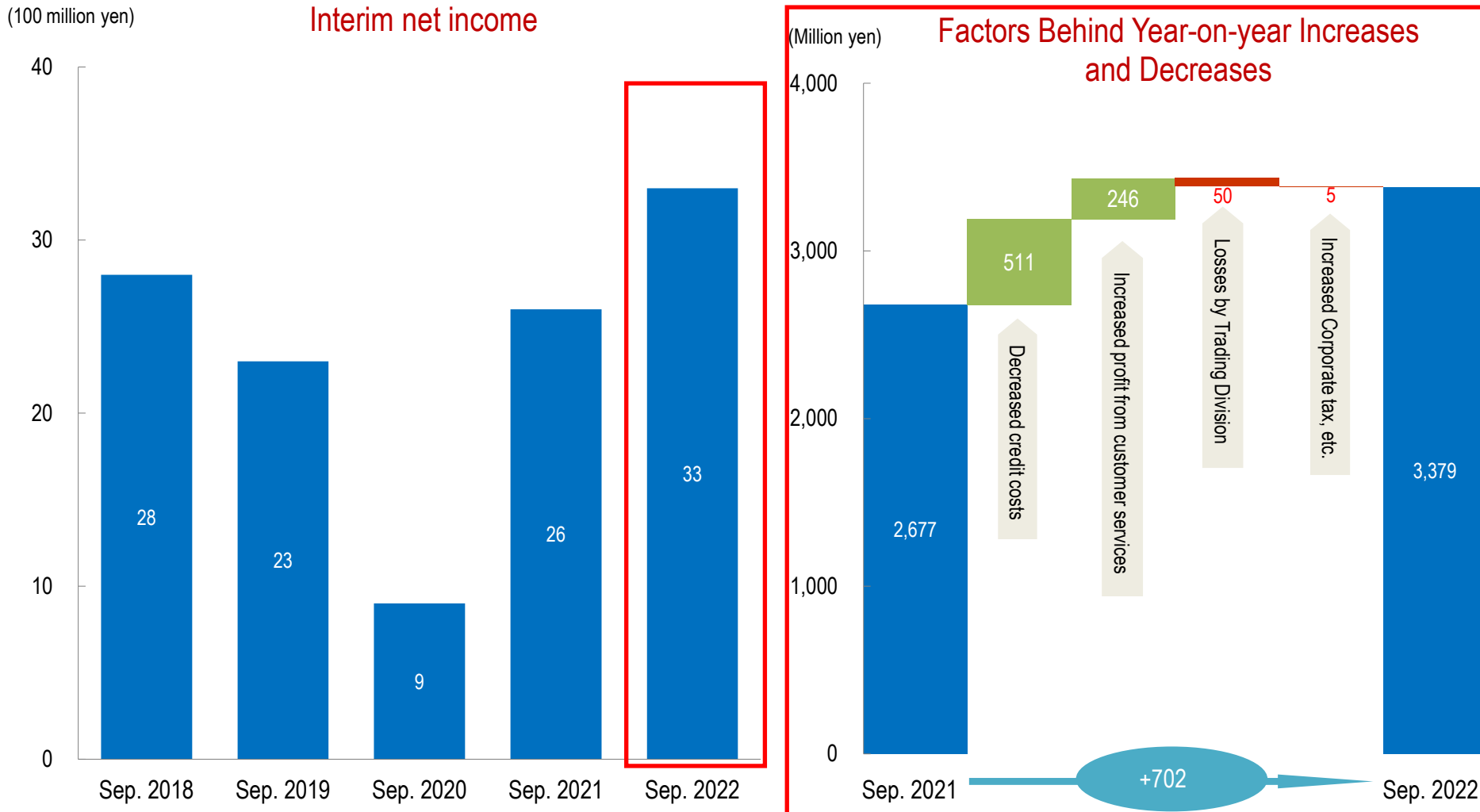
\*4 General provision for doubtful accounts: negative amounts indicate a provision and positive amounts indicate a reversal.

# Profit/Loss During the Fiscal Year Ended September 30, 2022



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BANK OF THE RYUKYUS GROUP

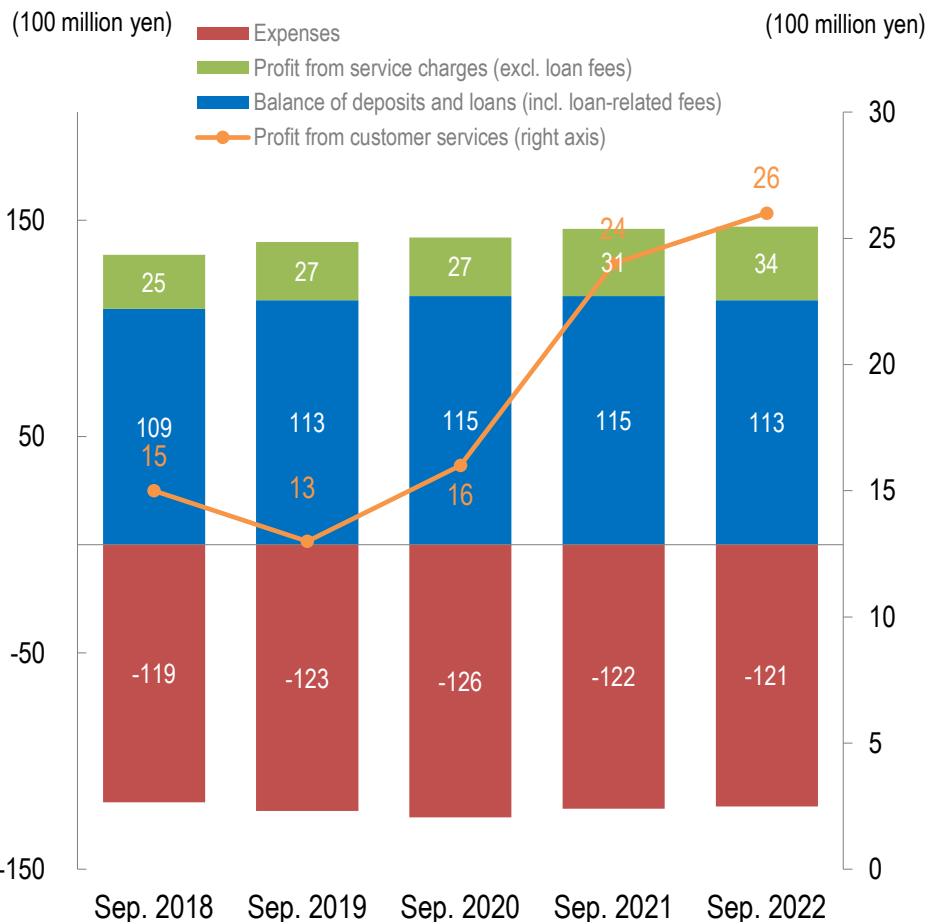
Year-on-year profit increased due to decreased credit cost and increased profit from customer services.



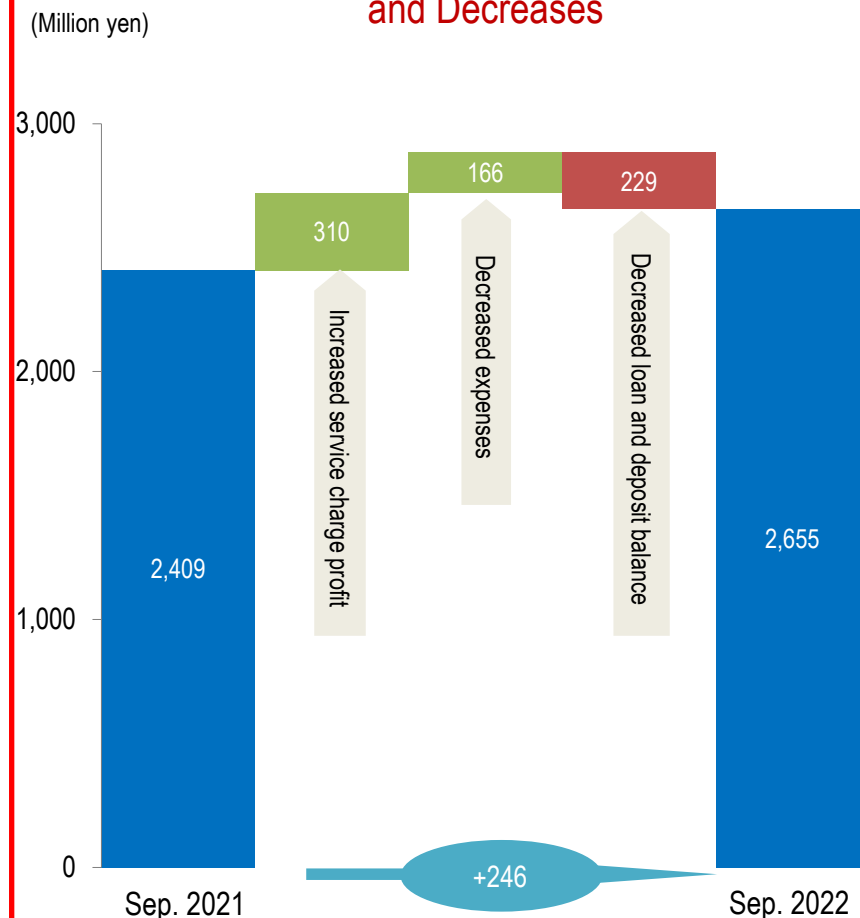
# Profit from Customer Services

Due to increased profit from service charge and reduced expenses etc., profit from customer services is trending upward. Service charges for corporate customer services and card business services helped bring service charge profit up.

## Profit from Customer Services



## Factors Behind Year-on-year Increases and Decreases



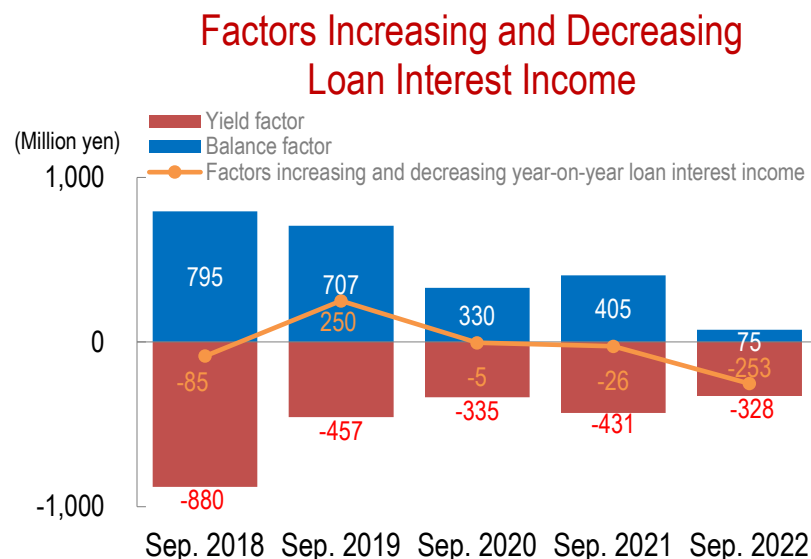
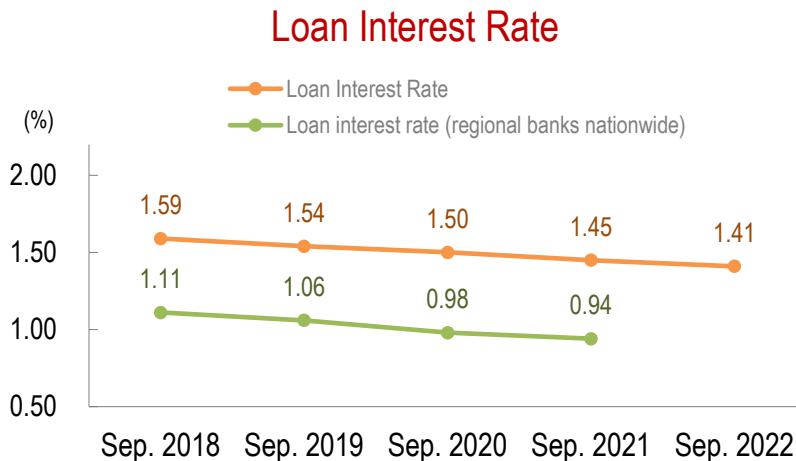
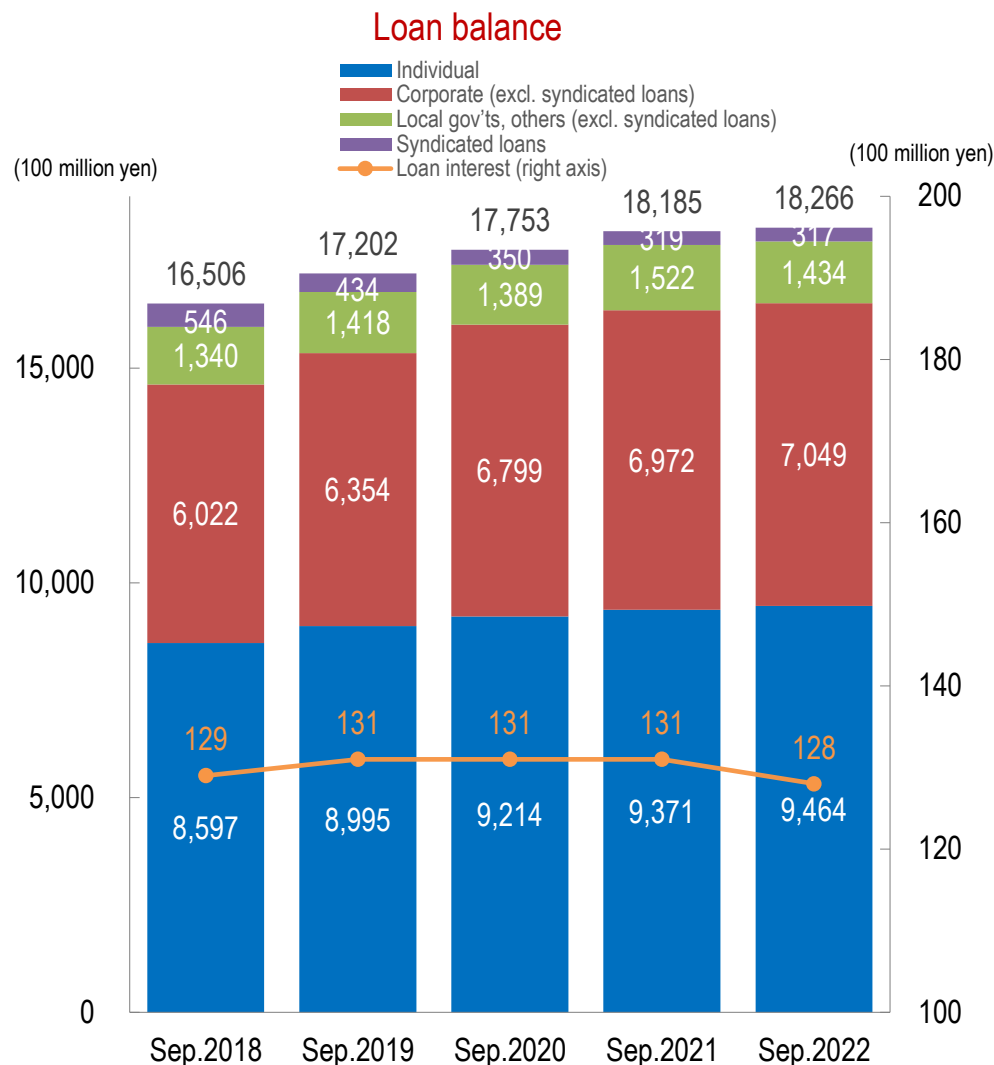
Note: Profit from Customer Services = Deposit and Loan Balance + Profit from Service Charges – Expenses

Note: For balances of deposits and loans, interest on deposits is calculated based on currency swap income in real terms.



# Loans (1/2)

Interest on loans decreased due to sluggish demand for loans and lower interest rates on loans.

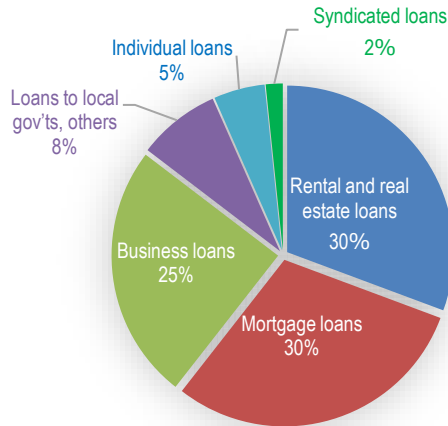


Note: Loan-related fees (consumer loan guarantee fees and group credit life insurance premiums) are deducted from the amount of loan interest income.

# Loans (2/2)

Housing loan balance is on uptrend. Personal, Rental, and Real Estate Loans decreased.

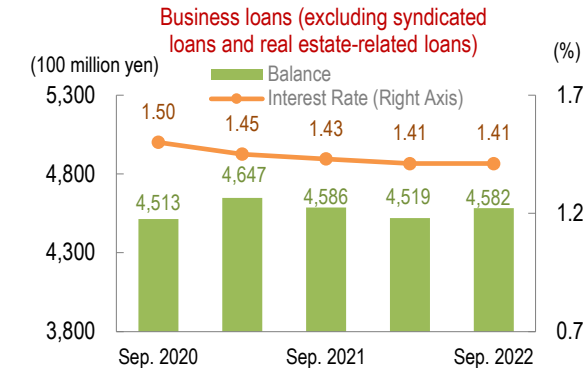
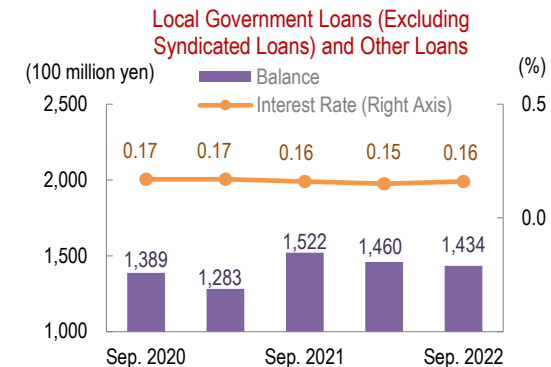
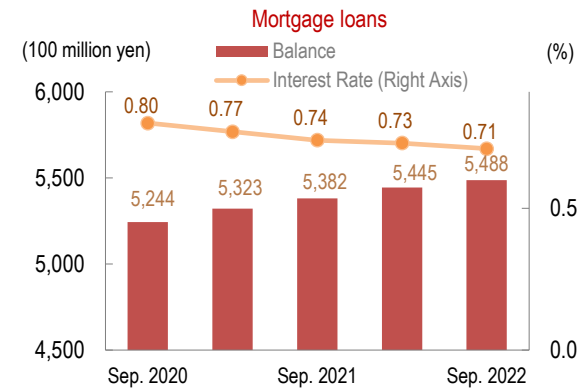
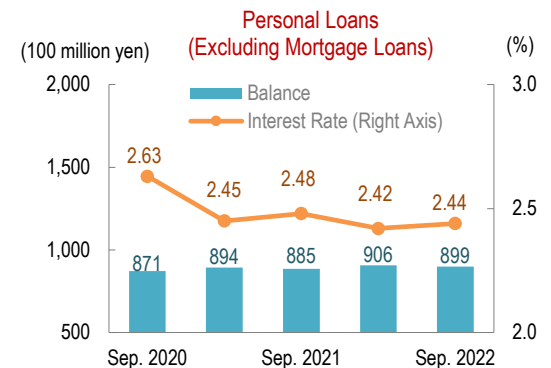
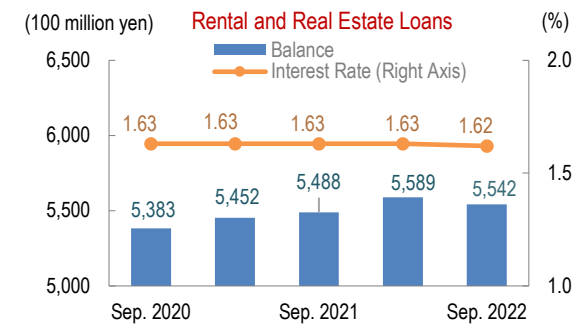
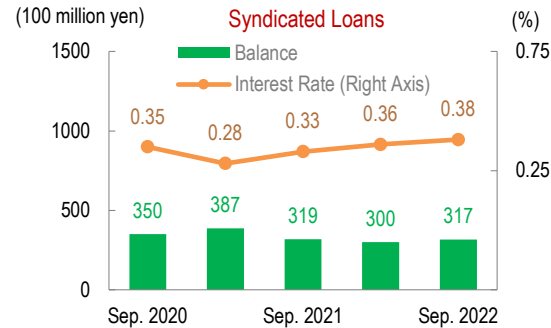
Breakdown of Loan Balances by Use



Note: Loan-related fees (consumer loan guarantee fees and group credit life insurance premiums) are deducted from yield calculation.

Interest Rate Conditions for Loans (Effectively Interest-free and Unsecured) to Local Governments

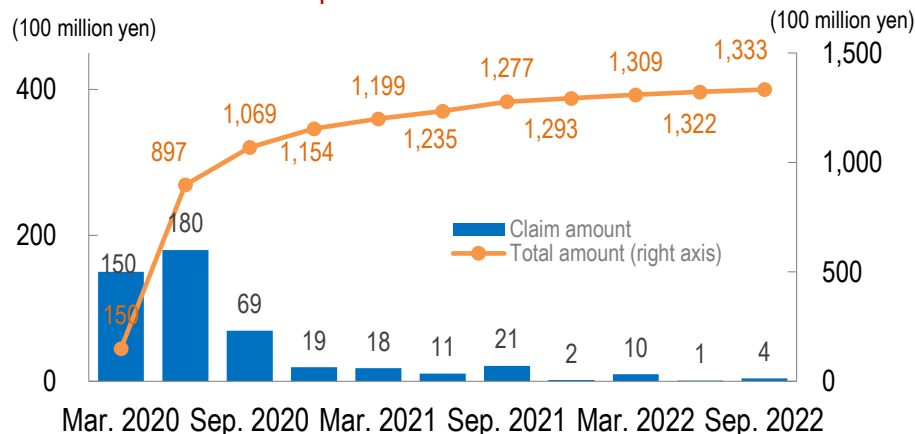
Local Gov't	Base Rate (Fixed)
Tokyo Metropolis	1.7%
Nara Pref.	2.175% (with 1.9% subsidized by nat'l gov't)
Fukuoka Pref.	1.3%
Kagoshima Pref.	1 year or less: 1.4% More than 1 year, max. 3 years: 1.6% More than 3 years, max. 5 years: 1.7%
Okinawa Pref.	0.8%



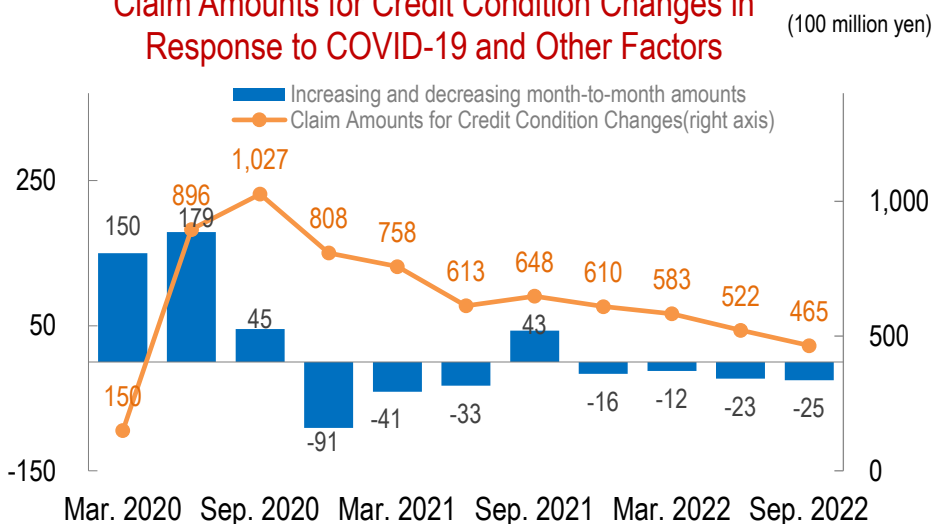
# COVID-19 Crisis Financial Support

The amounts of provided loans with changed credit conditions and issued new loans have leveled out after easing of economic activity restrictions.

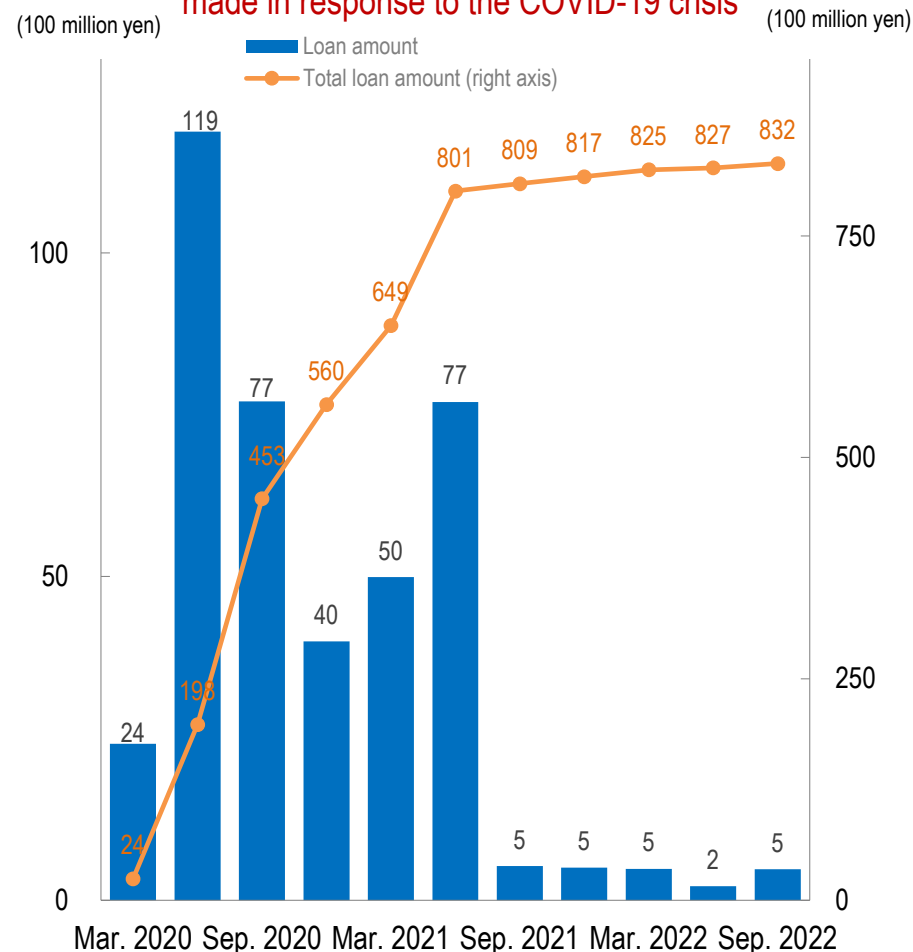
Trends of Provided Loan Amounts with Changed Credit Condition in Response to COVID-19 and Other Factors



Claim Amounts for Credit Condition Changes in Response to COVID-19 and Other Factors



Trends of Provided Loan Amounts made in response to the COVID-19 crisis

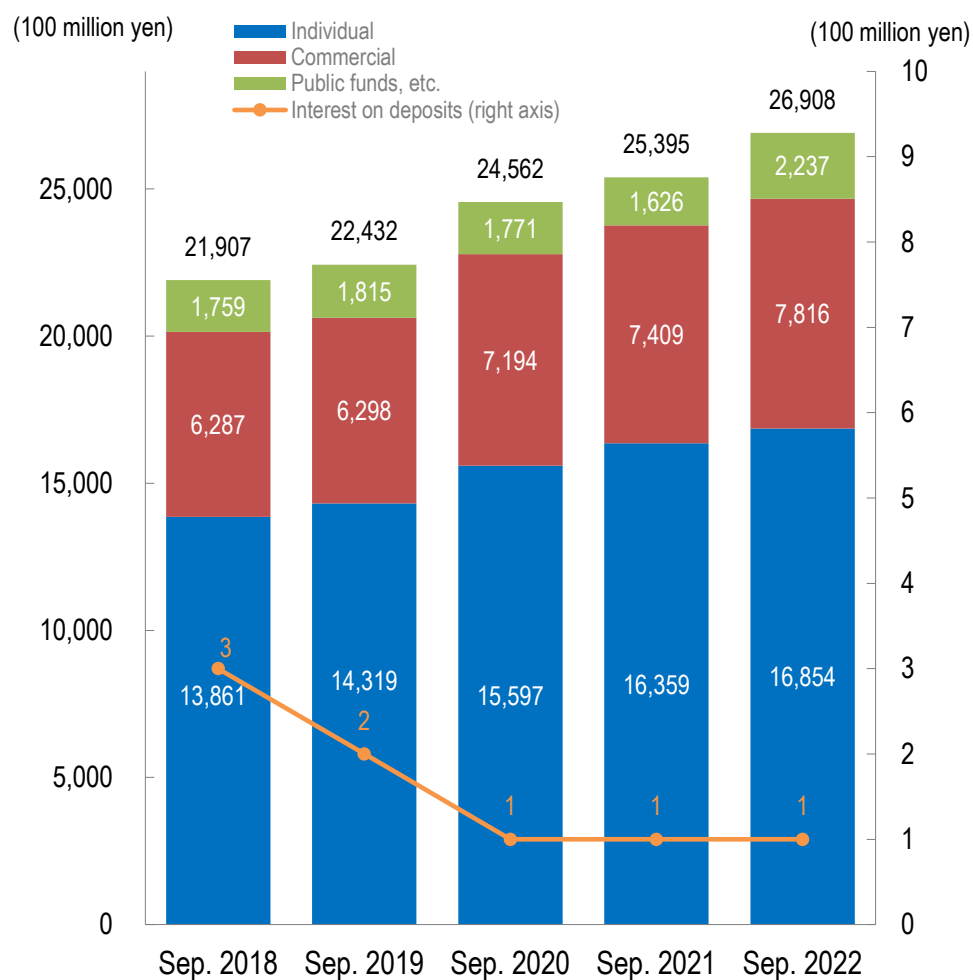


Note: Regarding loans made for response to the COVID-19 crisis, amounts in the graph are reached by adding together loans from the prefectural Small and Medium Enterprise Safety Net Fund and COVID-19 Infection Countermeasures Fund (\*Acceptance finished as of March 2021).

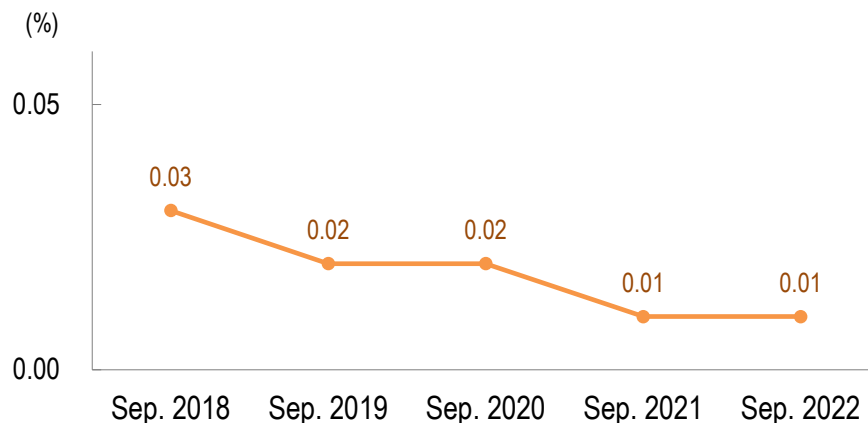
# Deposits

Deposit balances increased for both individuals and corporations. The main reasons are COVID-19-related financing support and the high retention of public funds.

Balance of Deposits

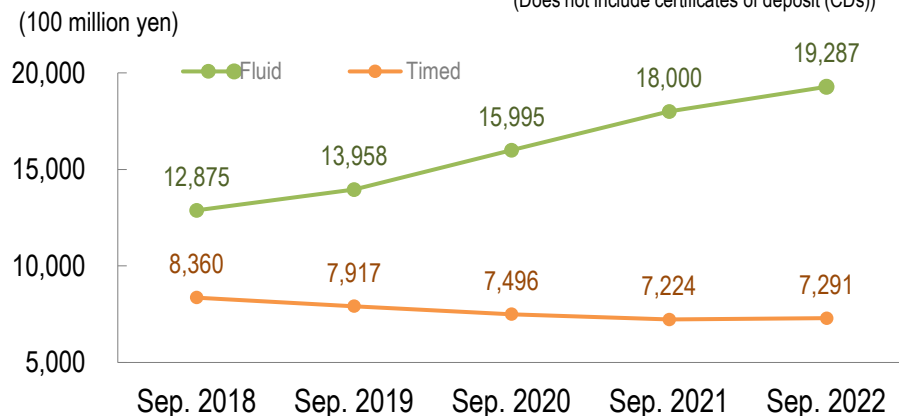


Interest on Deposits



Averaged Liquid and Timed Deposit Balances

(Does not include certificates of deposit (CDs))

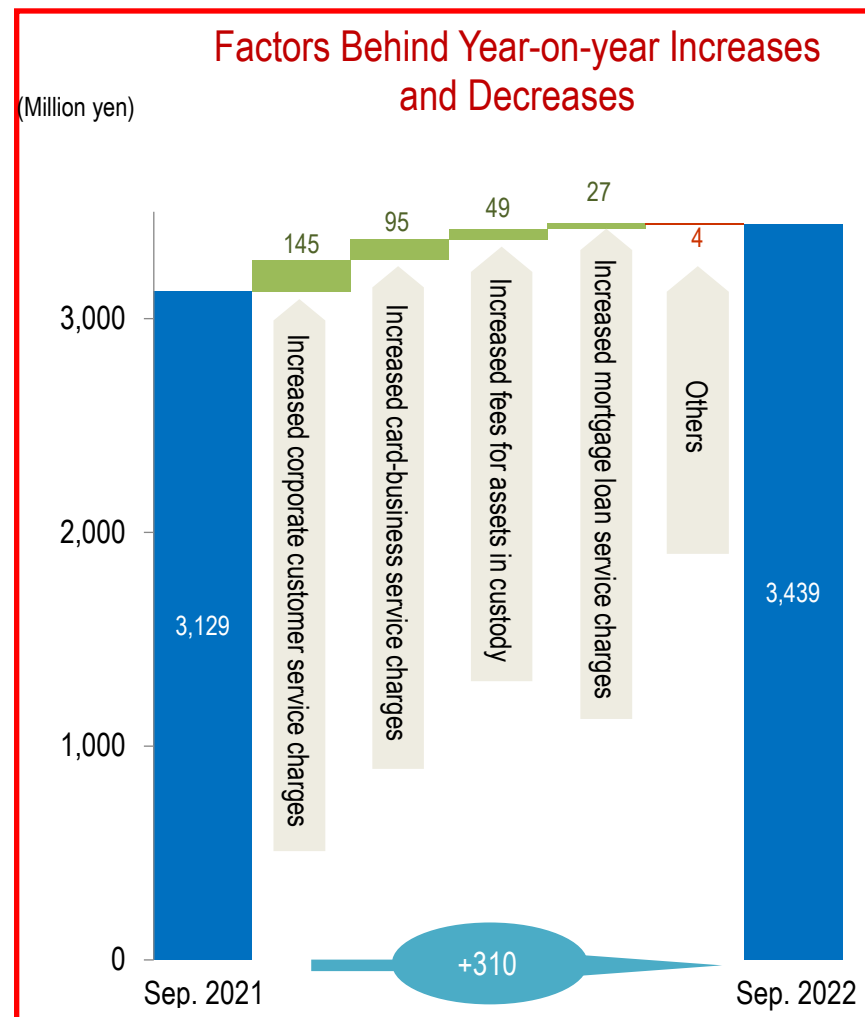
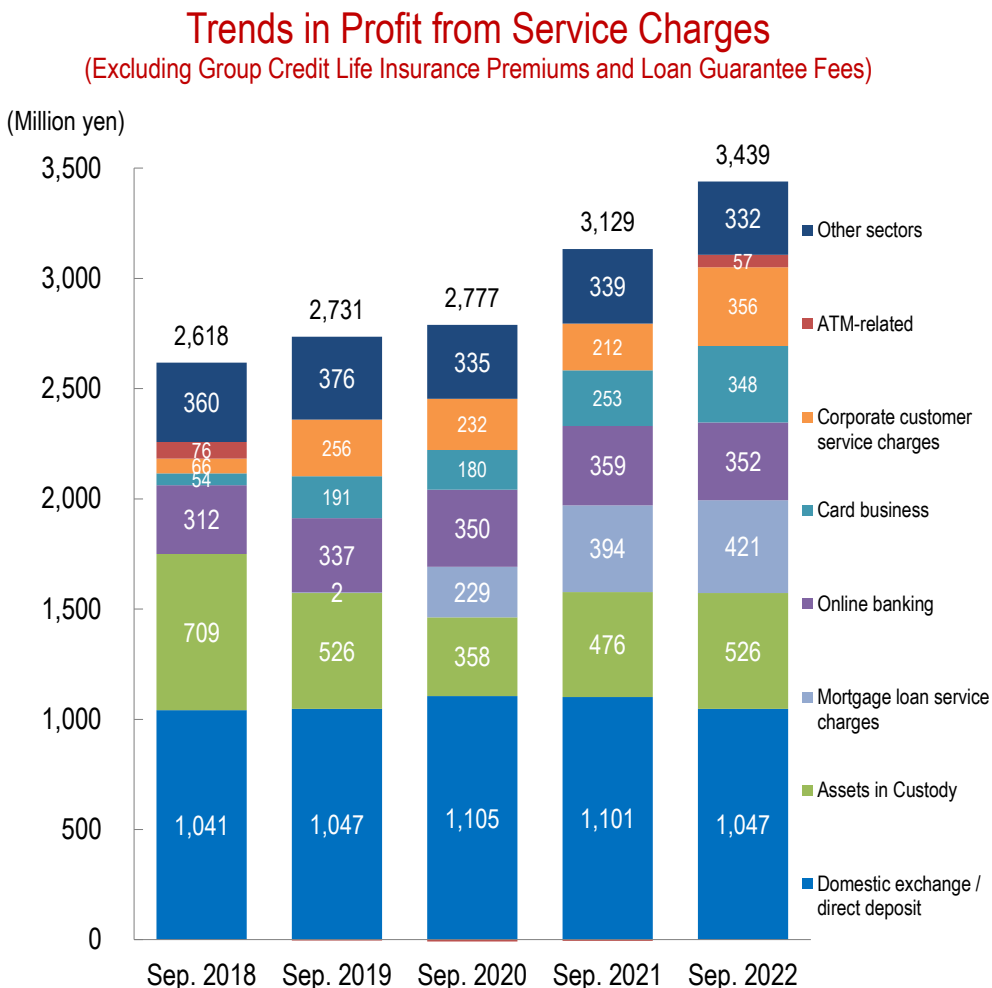


Note: Includes certificates of deposit (CDs).



# Profit from Service Charges

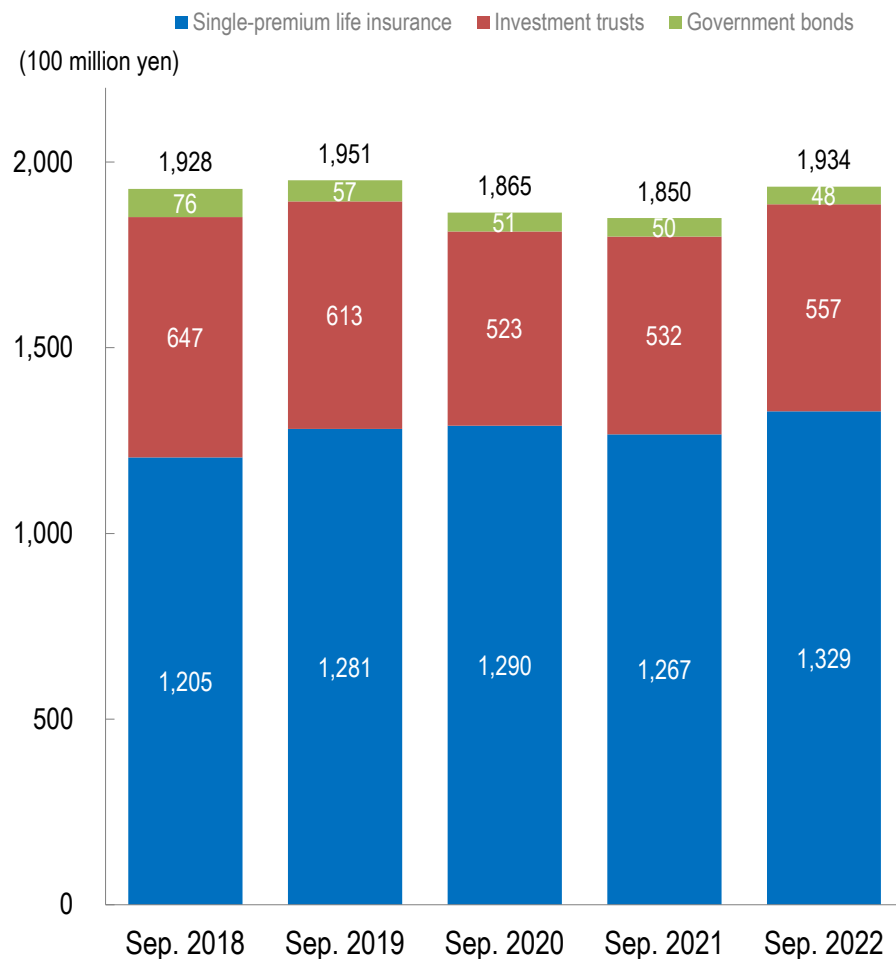
Service charges for corporate customer services, card business services, and assets in custody service, etc., helped bring service charge profit up.



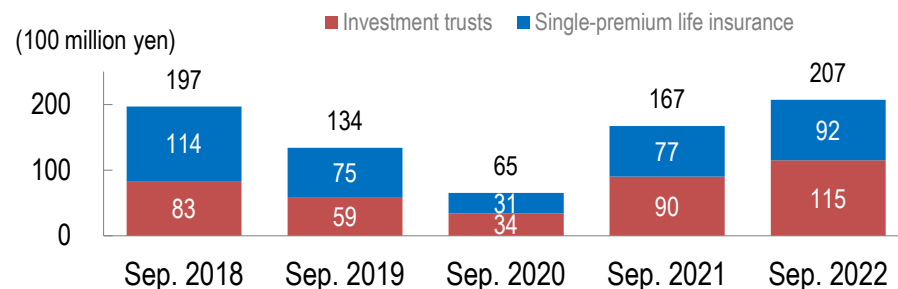
# Assets in Custody

By developing sales strengthening measures for assets in custody, sales revenue from investment trusts, single-premium life insurances increased.

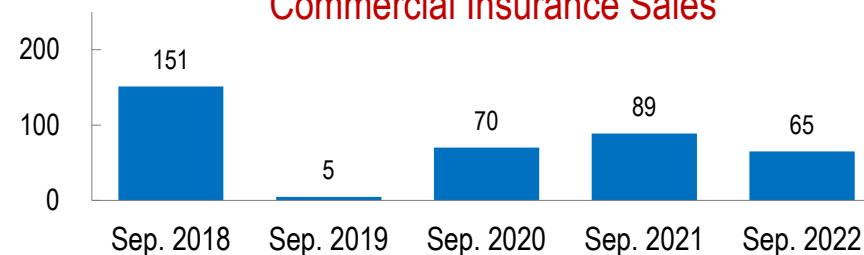
## Assets in Custody Balance



## Assets on Custody Sales Revenues



## Commercial Insurance Sales



### Sales Strengthening Measures (From April 2021) for Assets in Custody

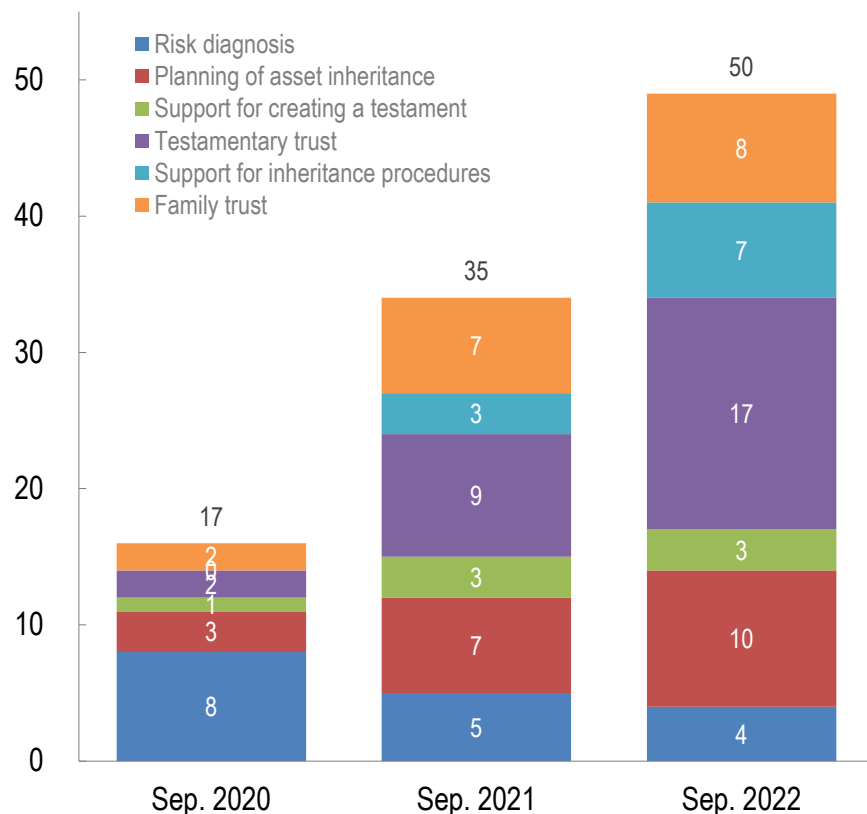
- We added more members to our Assets in Custody Promotion Team to strengthen assets in custody sales, and assigned these personnel to all blocks throughout the prefecture.
- By changing main activity of the Assets in Custody Promotion Team from sales support to retail-field personnel training, we worked to foster human resources capable of proposing products and services better suited to each customer's current situation and stage in life, thus strengthening asset inheritance consulting services, asset management consulting services and so forth.

# Asset inheritance supports for individuals

We have promoted asset inheritance supports for individuals from FY 2017. Since our efforts about the inheritance-related needs was widely spread and recognized, inheritance business fees increased.

## Transition of the fee income from the inheritance business

(Million yen)



## How to support asset inheritance for individuals

### Supported asset inheritance for individuals (all in a single location)

Step 1: Understanding the current situation (family structure, creating a property ledger, hearing thoughts for asset inheritance)

Step 2: Risk diagnosis (measures for division of inheritance property, understanding of funds needed to pay tax, etc.)

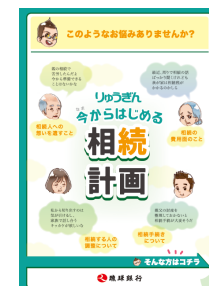
Step 3: Planning of asset inheritance and supports for implementation

\* After planning of asset inheritance we will support for implementation of testamentary trust, family trusts, or others.

## Our Support System

### Introduction of a fully-flat organizational system in which both sales personnel and bank tellers handle sales and bank counter tasks

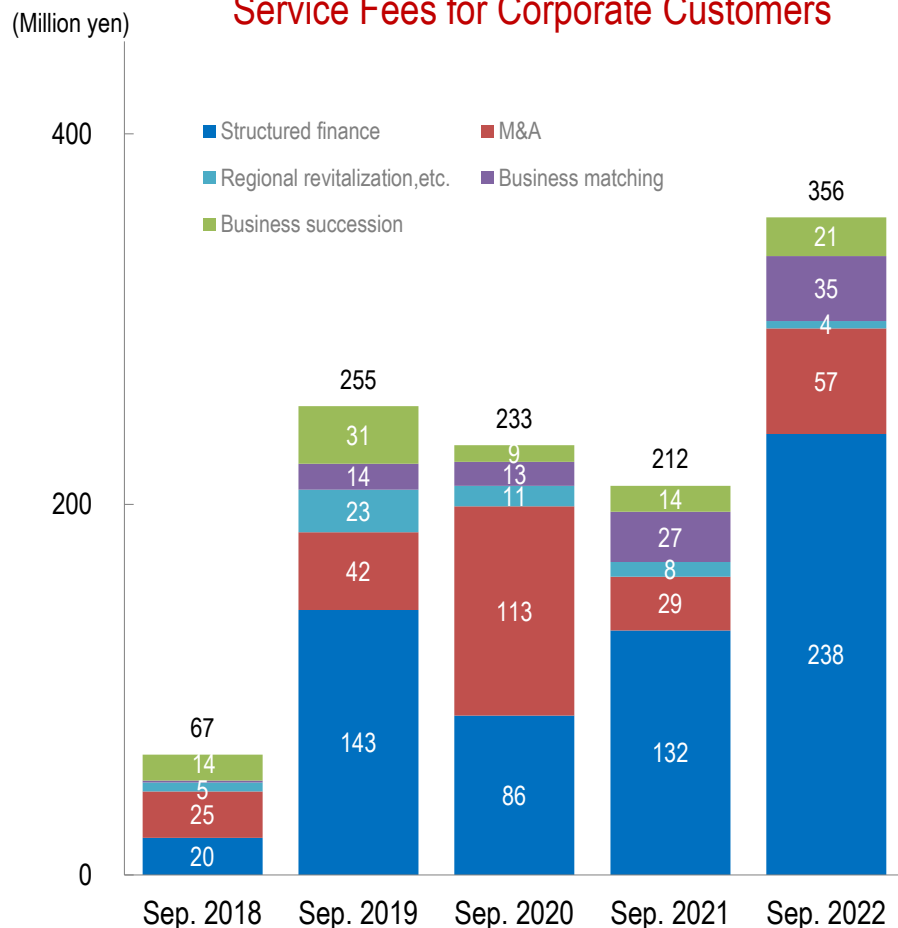
- Needs for inheritance were expanded due to changes in attitudes for inheritance as expanding COVID-19 pandemic.
- We realized provision of high-quality administration/services for customers and solutions by maximizing sales capabilities.
- We fostered human resources who can provide optimal products and services according to the customers' life stages, led by the Bank headquarters.



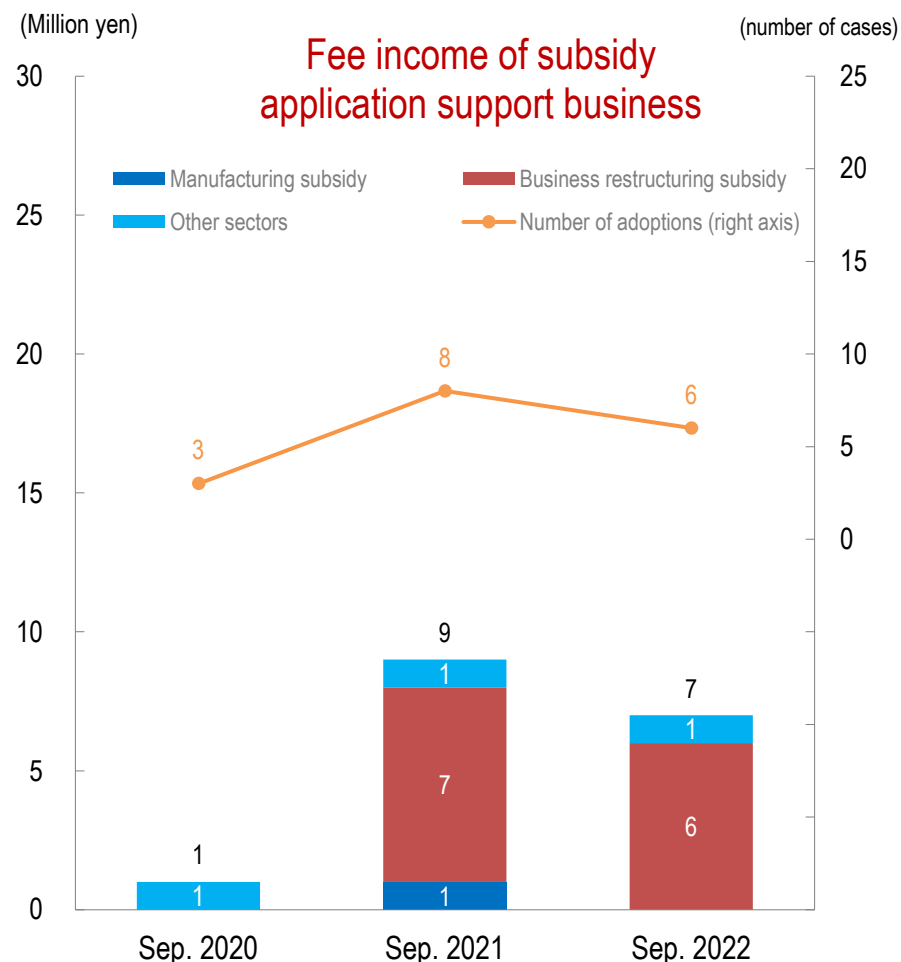
# Corporate Customer Services

Fee income increased. The number of consultations on structured finance and M&A is on the rise due to the resumption of economic activity. Supported business owners who were trying to restructure their businesses by supporting the application for “business restructuring subsidies”.

## Service Fees for Corporate Customers



## Fee income of subsidy application support business



Note: Fee income from subsidy support services is stated on a contract basis.

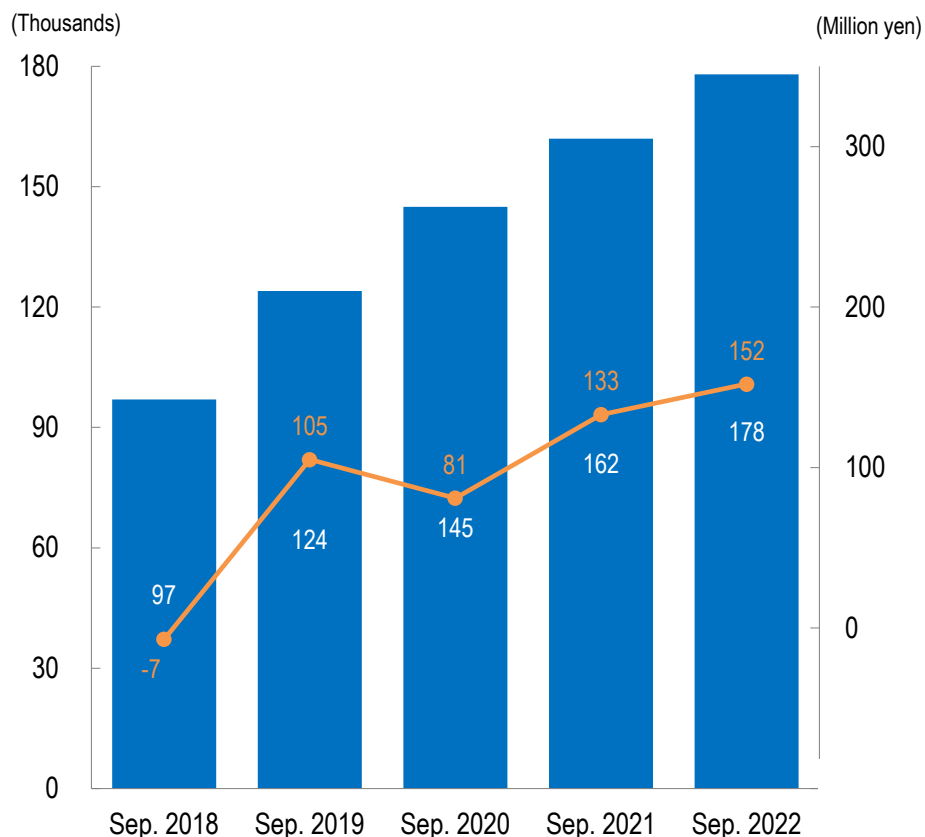


# Card-related Business (1/2)

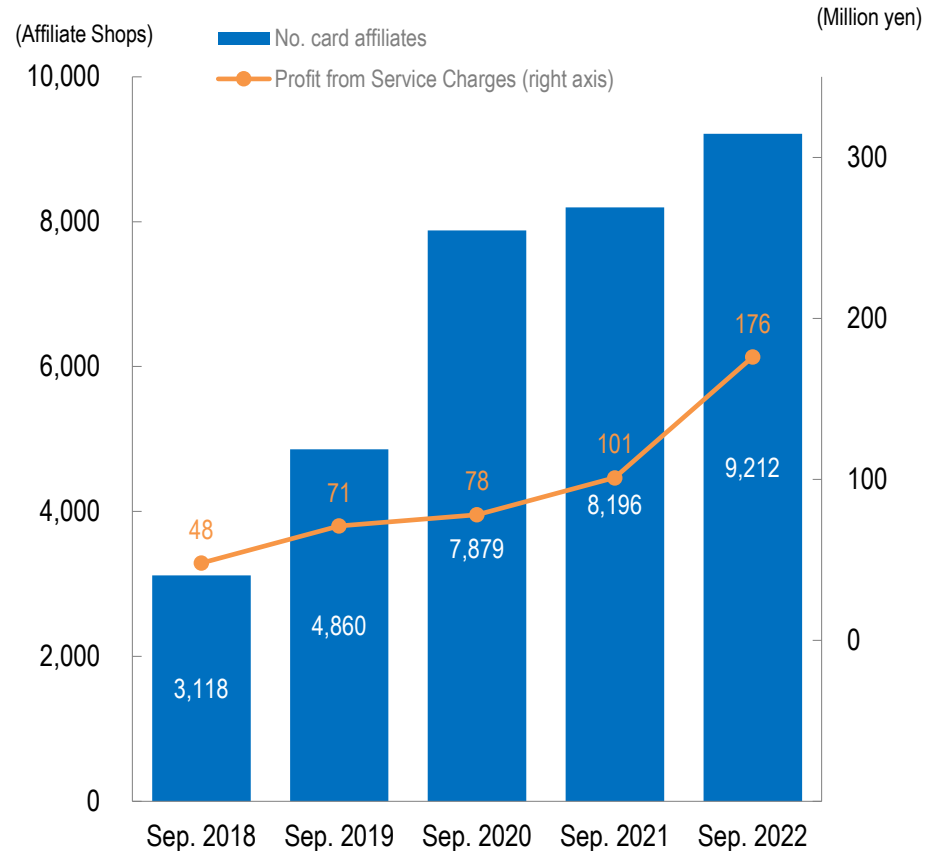
As both numbers of Visa debit cards issued and card affiliates steadily increased due to the resumption of socio-economic activities, charges from card users and card affiliates increased.

Total Numbers of Visa Debit Cards Issued  
and Profit from Service Charges

■ No. issued    ● Profit from Service Charges (right axis)



Number of Card Merchants  
and Profit from Service Charges



# Card-related Business (2/2)

Numbers of new members grew for Visa debit cards with contactless payment functionality. Payment terminal functions are becoming increasingly sophisticated at card-affiliate locations as we accelerate efforts to sign up new affiliates.

## Ryugin Visa Debit Card

- Oct. 2015 Began offering the Ryugin Visa Debit Card
- July 2018 Began immediate, over-the-counter issuance of cards at Ryugin locations
- Sep. 2018 Began issuing the corporate-customer Ryugin Visa Debit Card

## Recent Main Efforts

- Issued a debit card equipped with a Visa touch payment feature. (July 2020)
- Supported 3D Secure 2.0 to improve security (Sep. 2022)



## Card Affiliate Services

- Jan. 2017 Began offering customer services for card affiliates
- May 2018 Began offering electronic money services (five main brands)
- Sep. 2019 Began support for METI cashless and customer return initiative
- July 2021 Began offering affiliate services of UnionPay, the international settlement brand.

### Newly Added Brands



- In response to growing support nationwide for QR code payments, we supported QR code payments for six major service brands.
- We now offer support for over 30 brands at affiliate locations, achieving the widest-reaching brand support in a single payment terminal among all such terminal types in Japan.

## Recent Main Efforts

### Opened EC mall “YUI-Mall” for member merchants (July 2022)

- Opened “YUI-Mall” where our card member merchants can easily open stores from a dedicated site in July 2022.
- No opening costs, low sales commission.
- An introduction page of actual stores is also included to help member merchants promote their sales.

Note: The operating company of “YUI-Mall” is Core Mobile Co., Ltd.



### Began offering electronic money services for “EasyCard,” Taiwan’s largest electronic money brand. (Nov. 2022)



- In 2022, we were selected as the first cross-border partner of EasyCard outside of Taiwan and started the payment service for EasyCard in November in Okinawa Prefecture.

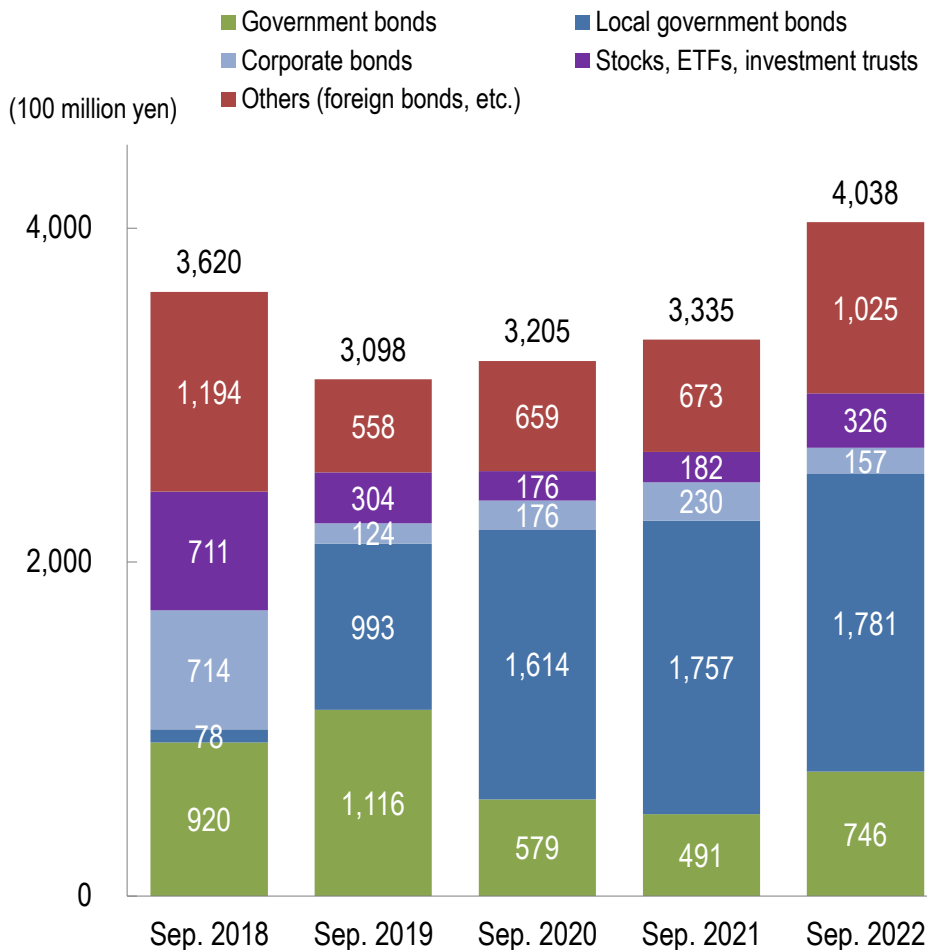
#### Note: EasyCard

It is a contactless IC card for transportation in Taiwan. It is electronic money, which is widely used commercially in places such as convenience stores and restaurants, as well as public transportation. The number of cards in circulation is 92.54 million, which is more than three times the number of people in Taiwan. (As of Jan. 2022)

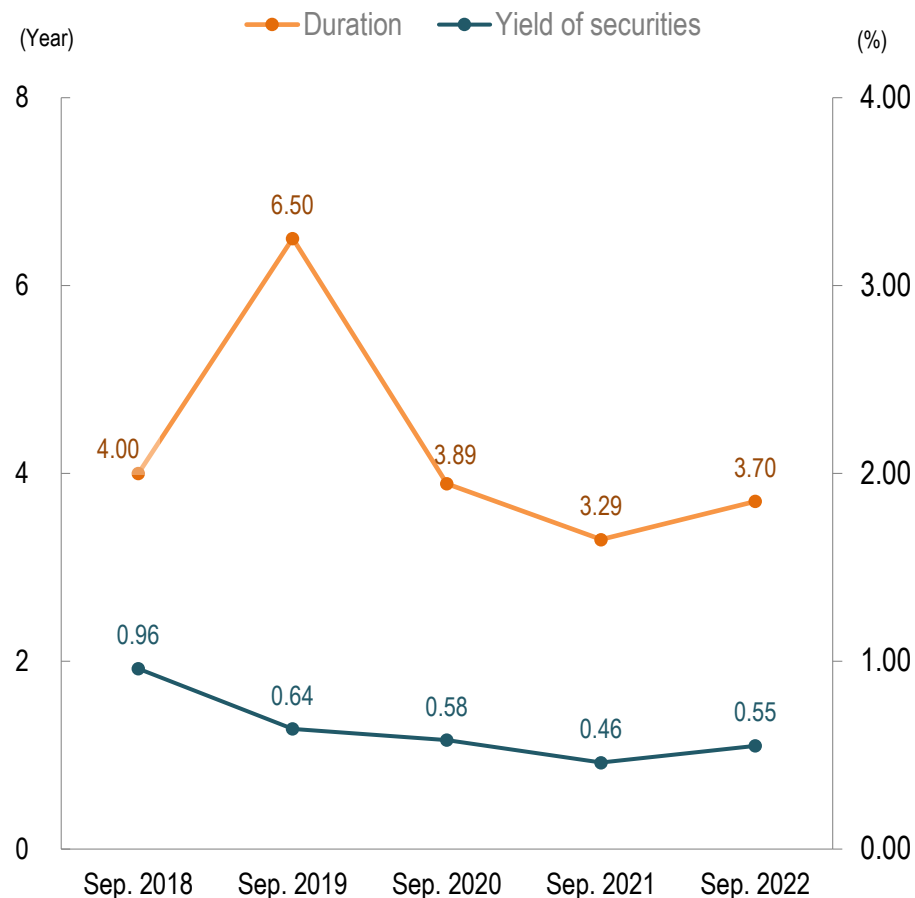
# Securities (1/2)

To strategically build up the balance of securities with the aim of improving yields over the medium to long term, while holding down the lengthening of durations.

Balance of securities



Duration and yield of securities

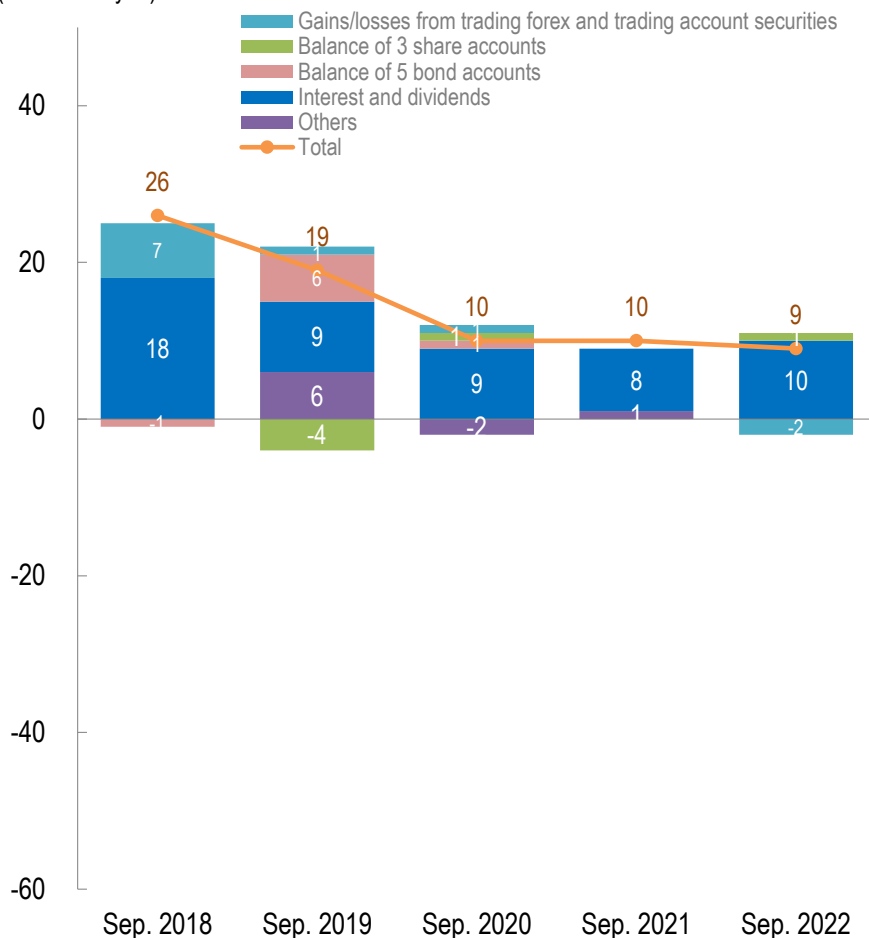


# Securities (2/2)

Unrealized losses on foreign bonds increased due to the rise in US interest rates.

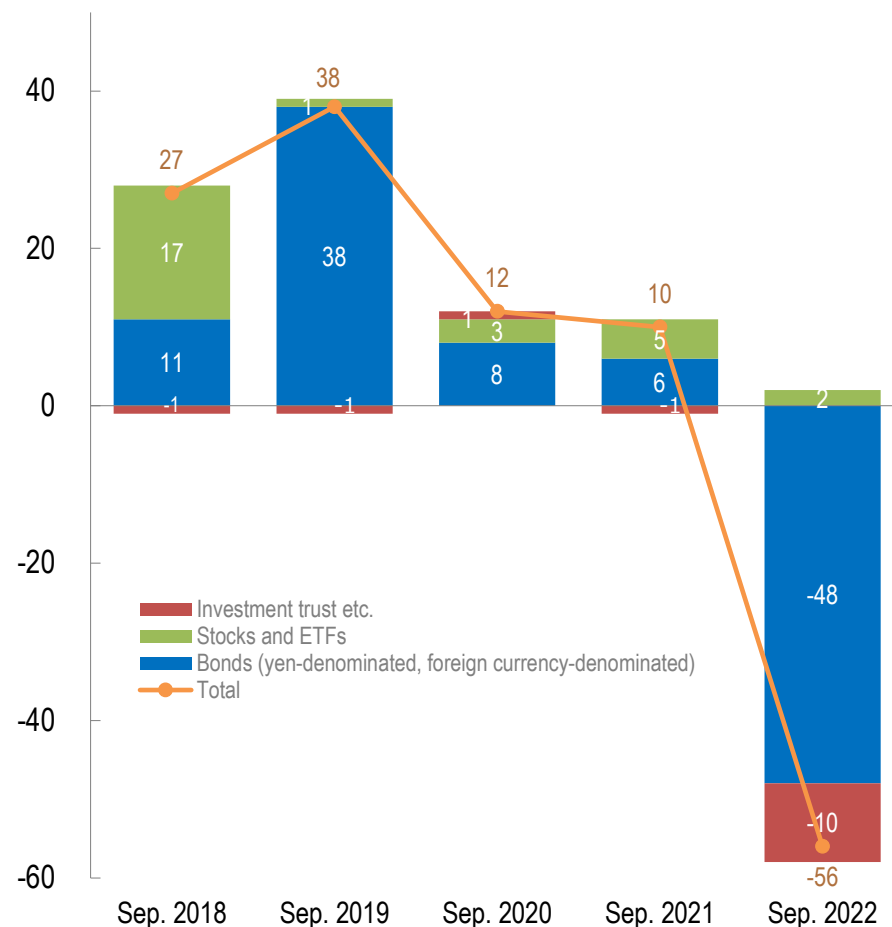
Profit/loss in Trading Division

(100 million yen)



Differences Between Market Values and Book Values of Securities

(100 million yen)

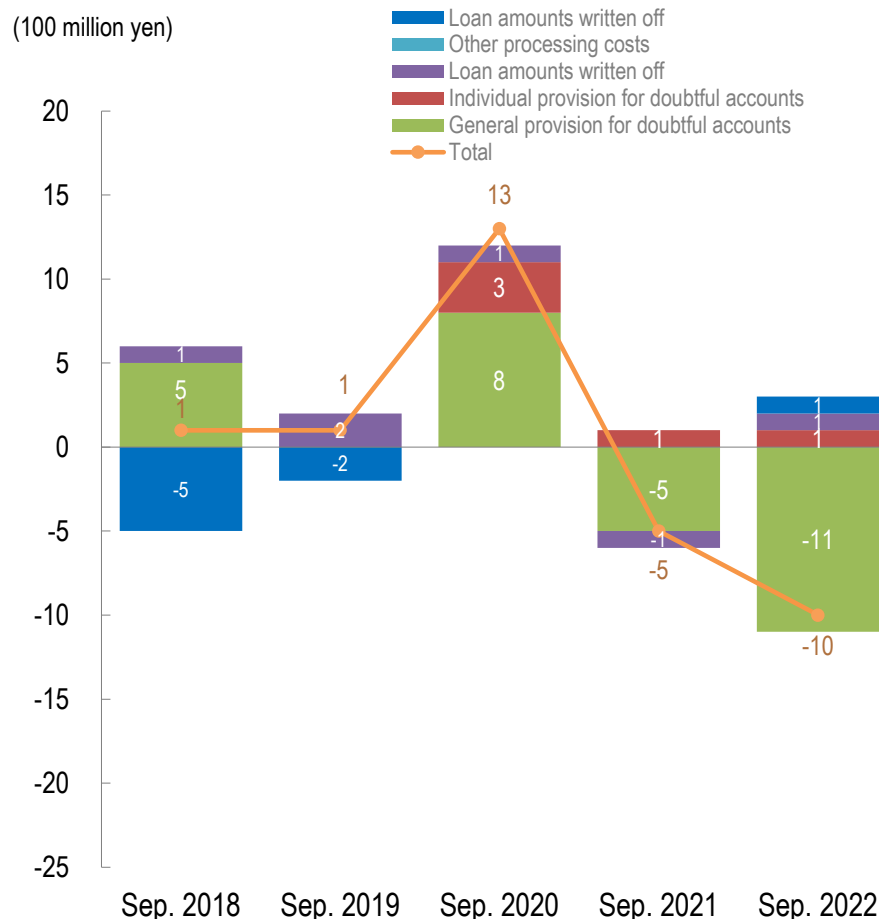




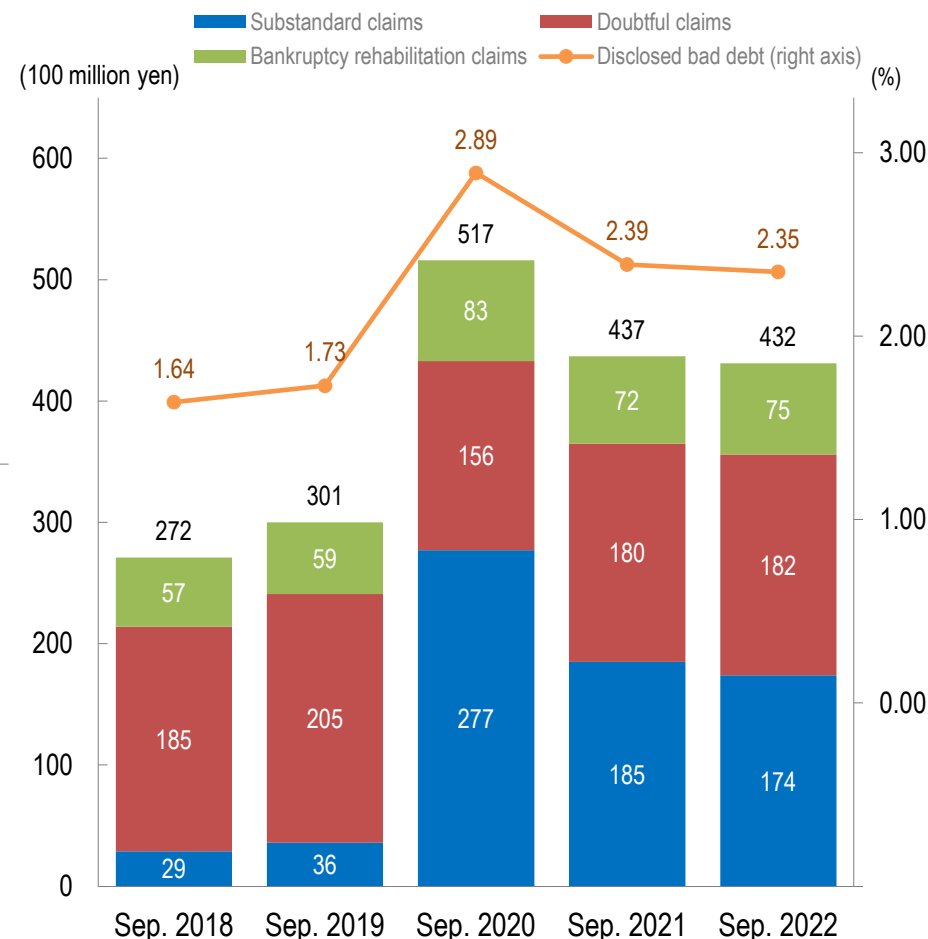
# Net Credit Costs and Disclosed Bad Debt

Introduction of forward-looking reserve provisions in FY 2020. Large reversal of allowance for doubtful accounts, due to improvements in economic indicators.

## Net Credit Costs



## Disclosed Bad Debt

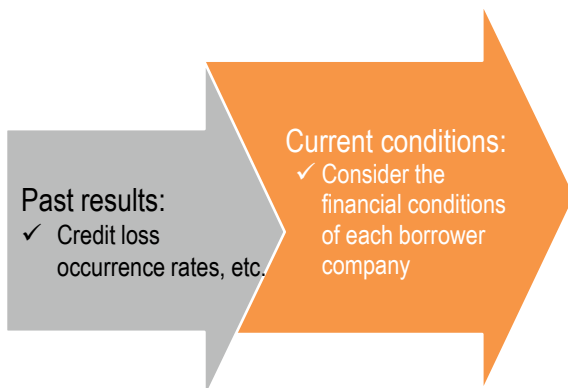


# Overview of Forward-looking Provisioning (1/2)

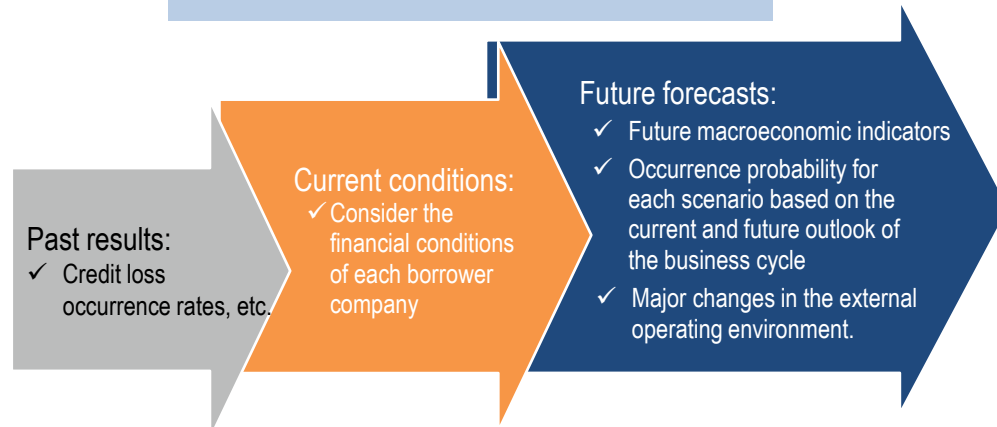
By switching to a more rational estimation method for future risk calculation that takes consideration of macroeconomic indicators, the occurrence probability for each scenario based on the current and future outlook of the business cycle, and assessment methods that factor in the presence or lack of major changes in the external operating environment, we have strengthened our standing against future potential loss and risk.

This bolsters our financial resilience to economic-environment downturns in the future and makes it possible to focus firmly on forward-looking sales efforts, thus cultivating a framework that supports customers without fear of additional credit costs.

## Standard Approach Based on General Provisions



## Current Approach Based on General Provisions



## Provision for Doubtful Accounts Calculation Process

Provision for  
Doubtful Accounts

= Receivables Balance ×

Predicted Loss Rate

Standard approach: calculation based on past bad debts

New approach (improved): calculation based on **future** economic forecasts and similar factors

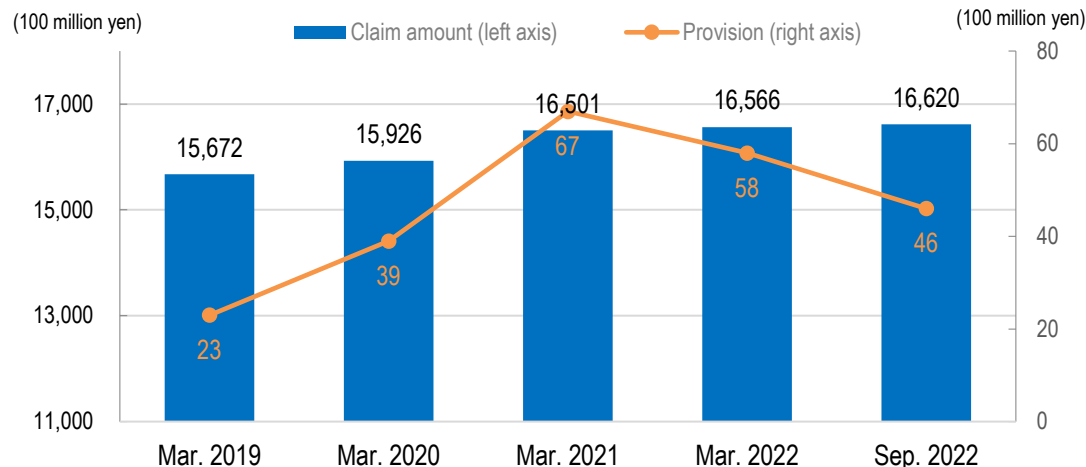
# Overview of Forward-looking Provisioning (2/2)



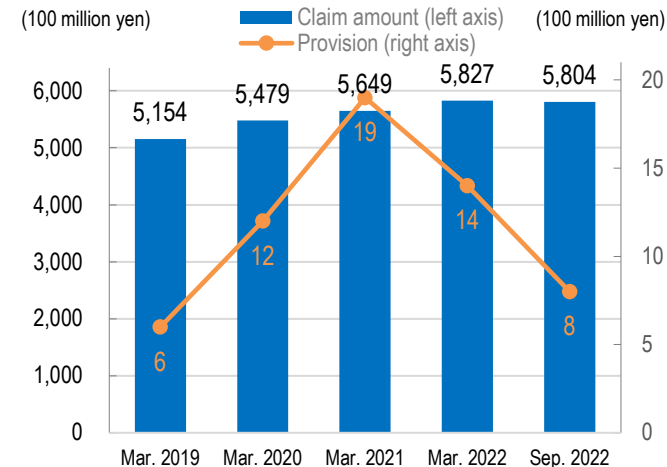
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BANK OF THE RYUKYUS GROUP

Restart of principal payment from a part of business operators, mainly from the real estate industry. The amount of provisions for bad debt reserve decreased as credit ratings improved, etc.

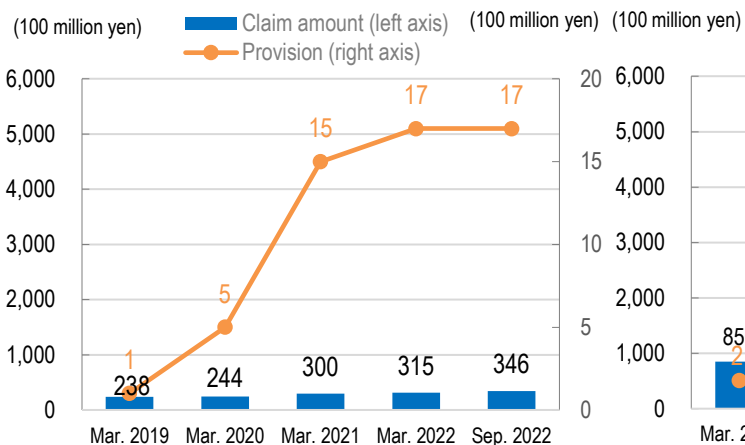
## Overall



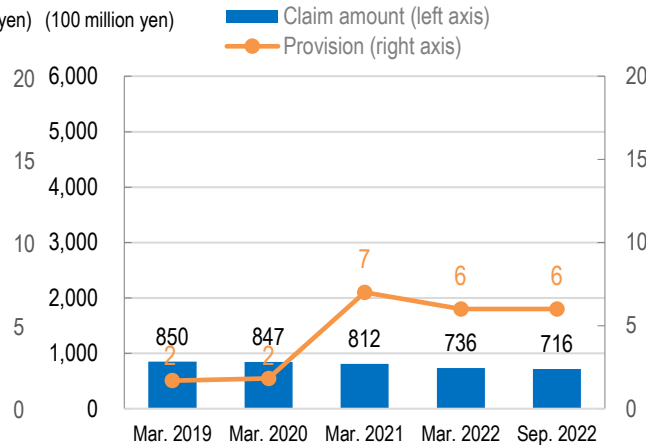
## Real estate



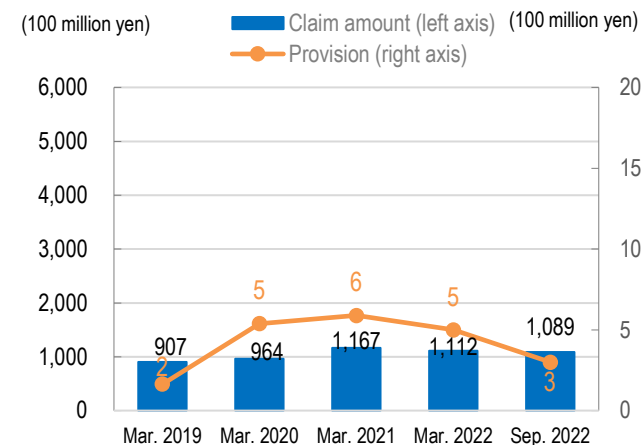
## Accommodation Industry



## Healthcare and Insurance Industries

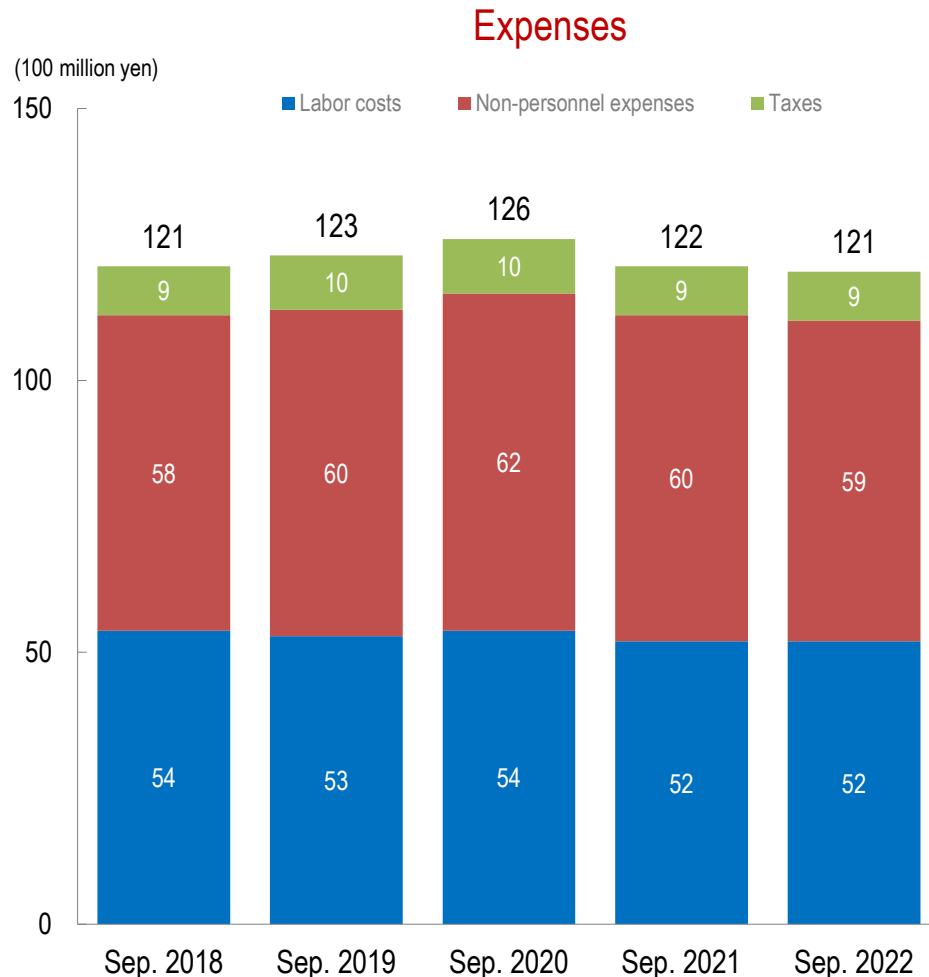


## Restaurants and Service Industries

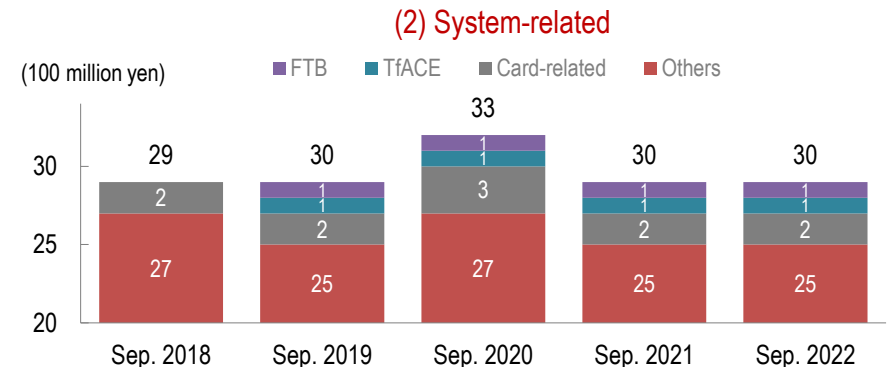
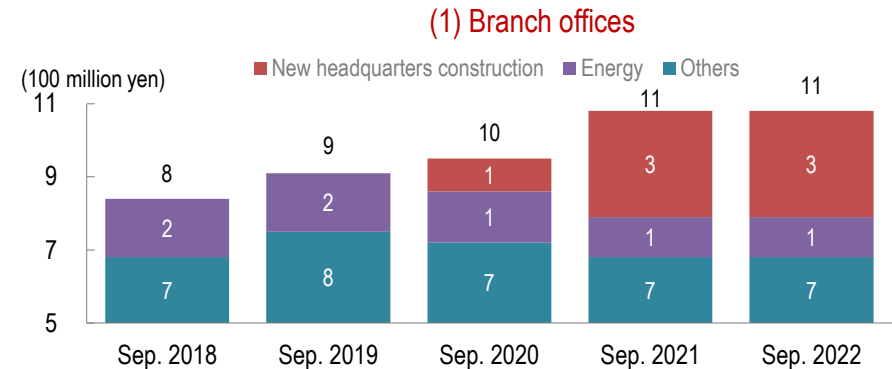
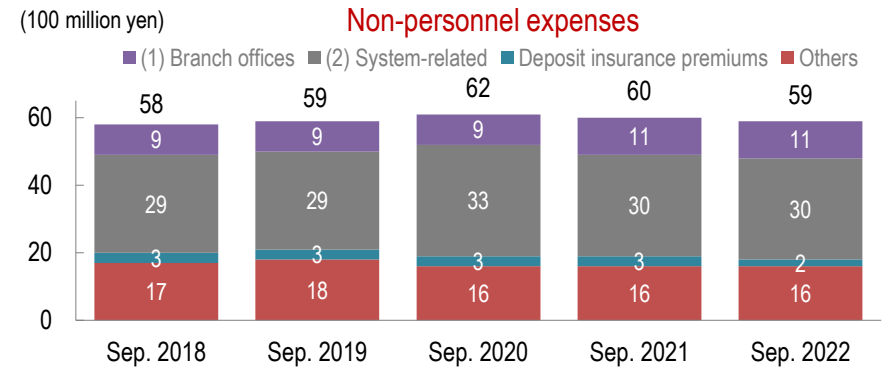


# Expenses

Property expenses decreased slightly year-on-year due to a reduction in deposit insurance premiums.



Note: Personnel expenses include employees' past salaries with respect to retirement benefits, and impacts (loss/profit) of actuarial differences.



Note: FTB: Self-service terminals in the form of tablets at teller counters

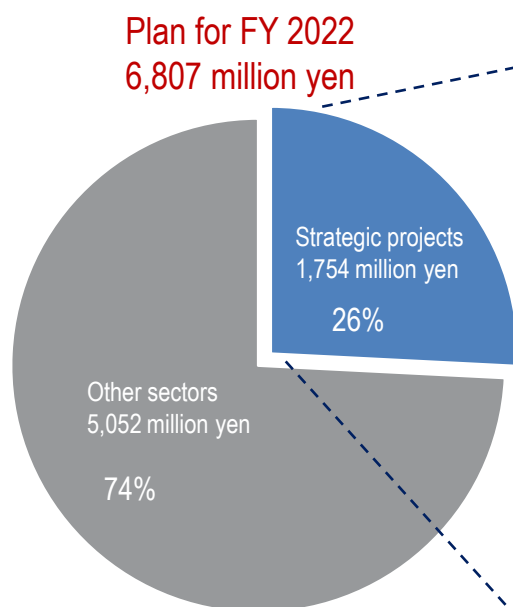
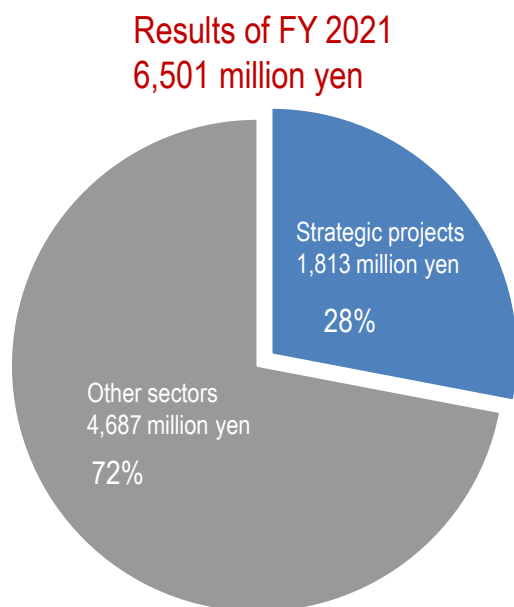
Note: TfACE: Next-generation terminals at branches



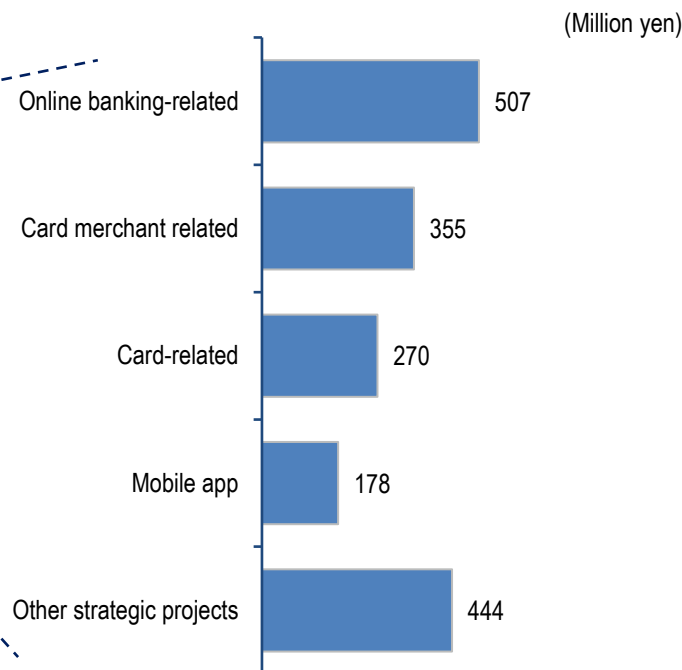
# Mechanization investment plan for the current FY

Regarding the mechanization investment plan for FY 2022, more than 26% of the total is mechanization investment for customer service improvement projects and profit improvement measures. We will continue to make strategic investments to achieve the (1) channel strategy, (2) cashless strategy, (3) retail business strategy, and (4) corporate business strategy set forth in our SINKA 2020 Medium-Term Management Plan.

Actual results of FY 2021 and the mechanization investment plan for FY 2022



Breakdown of major strategic projects

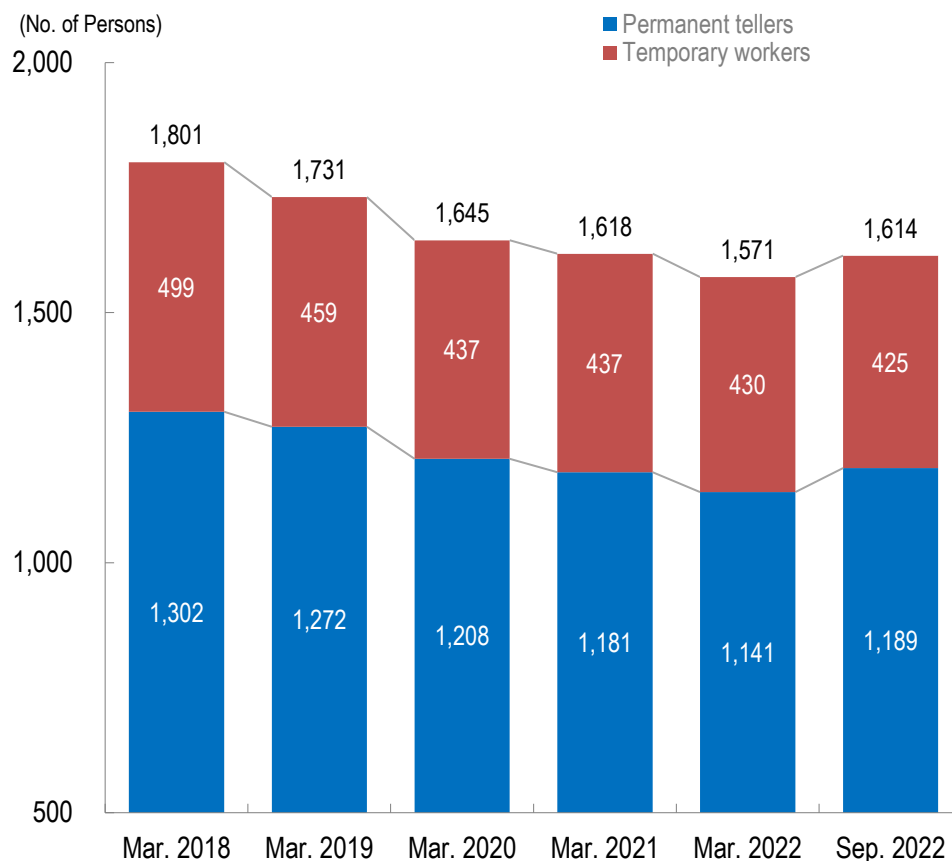


Note: [Strategic projects] Projects such as customer service improvement measures and profit improvement measures  
[Others] Projects related to systems, risks, foundations, aging, renewal, etc.

# Workforce Planning

The reduction in operating personnel has almost been completed, and the number is stable at around 1,600. Changed the time of retirement from the end of the month to the end of the fiscal year in and after FY 2022 to effectively utilize employees during the period.

## History of Workforce Changes



Note: The number of active employees is the figure obtained by subtracting trainees, seconded employees, dispatched employees, etc. from the total number of employees, and adding the number of employees seconded from outside.

## Main Efforts on the Counters of Bank Locations for Reduction of Administrative Workloads

### Introduced barcode/QR code reading devices (February 2022)

- The barcode and QR code reading devices are devices to read the QR code created by the RYU-QR service\*1 independently developed by the Bank of the Ryukyus in addition to the barcode displayed on various payment slips.
- All stores are equipped with dedicated hand-held scanners to improve operational efficiency, such as shortening waiting times.

\*1: RYU-QR is a system developed independently by the Bank of the Ryukyus that creates a payment slip with a QR code.

### Introduction of "Remote Consultation Desk" (Nov. 2021)

- At six branches, including the Aja branch, which handles foreign exchange, a "remote consultation desk" will be set up in sequence, where employees with specialized knowledge such as foreign exchange and inheritance can provide consultations. (It is planned to be added to three more stores by Dec. 2022).
- By consolidating highly specialized transaction consultation services at the head office, which were conventionally handled by each branch individually, we have improved the efficiency of counter operations at sales branches.

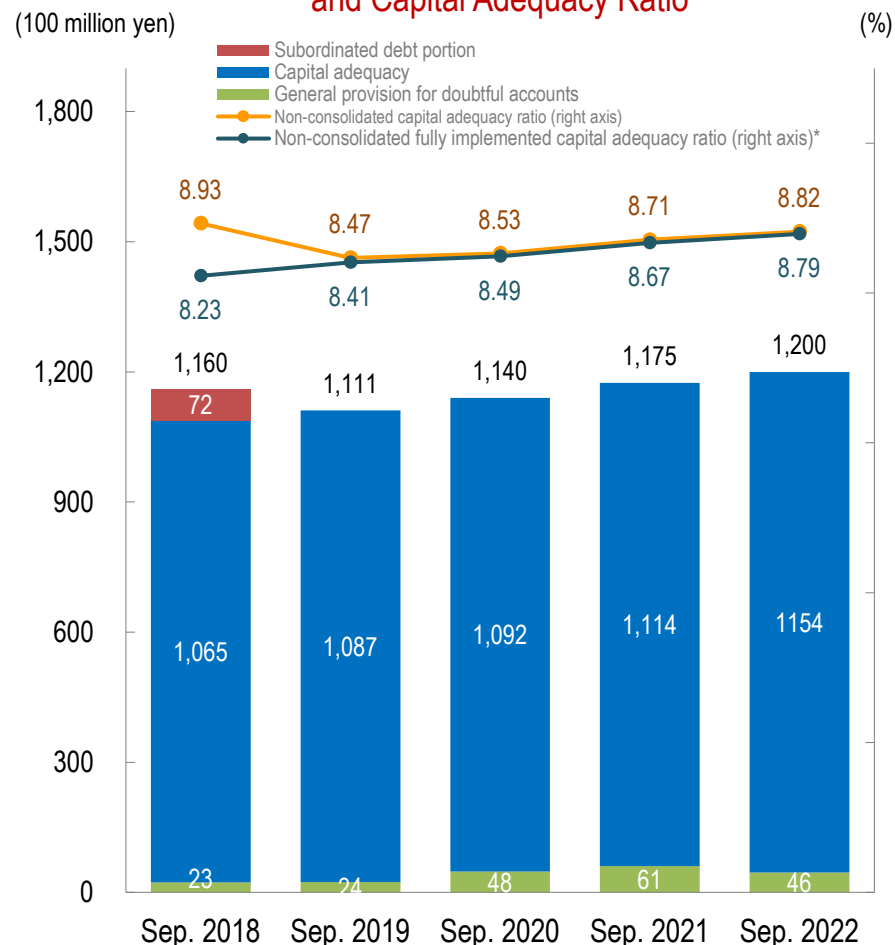
### The FTB (Flexible and Traditional Bank) Project was completed for all branches in August 2021.

- Use of semi-self-operated tablet devices, and significantly reducing bank counter staff workloads and numbers of tellers
- In the first half of FY 2021, eliminating the use of paper printouts, personal seal usage, and unnecessary operations after completed introduction of semi-self-operated tablet devices at all of our locations.

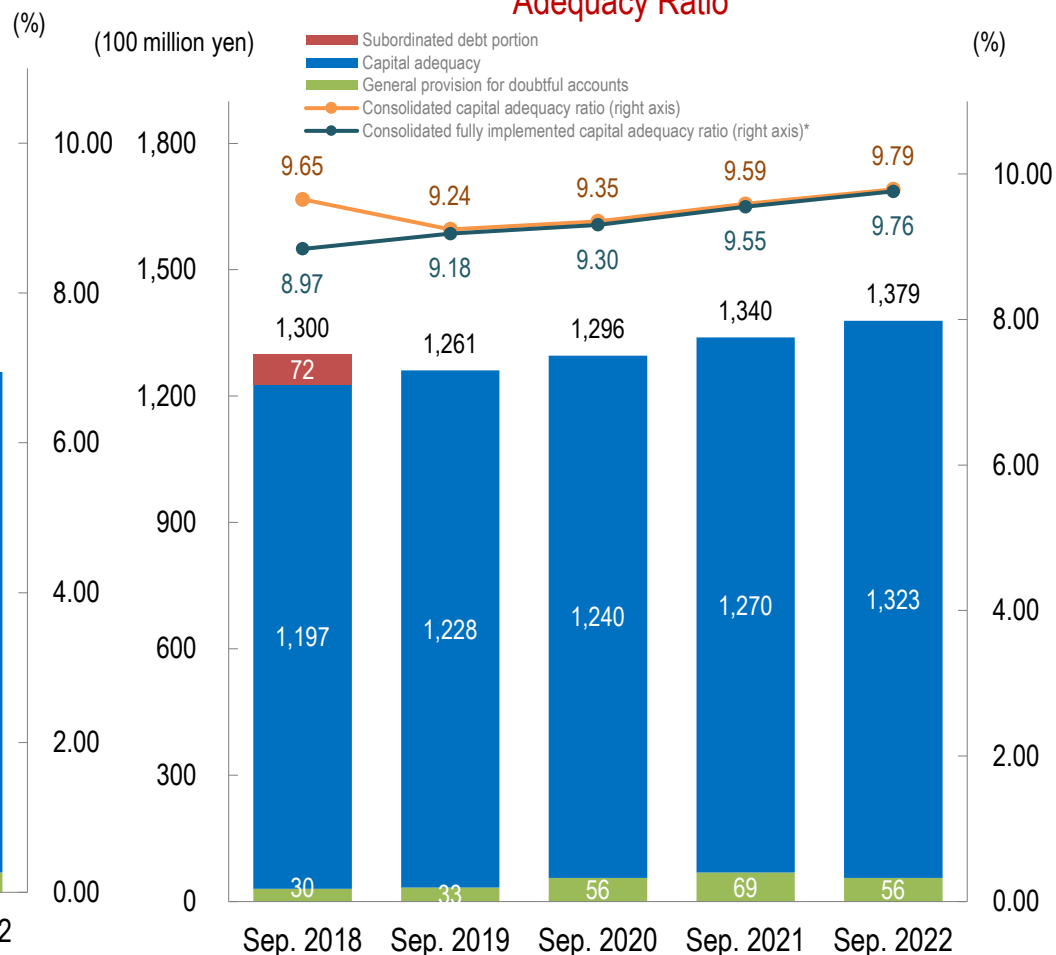
# Capital Adequacy Ratio

Even during the COVID-19 crisis, the capital adequacy ratio steadily increased due to the stable accumulation of profits and asset control.

Non-consolidated Regulatory Capital and Capital Adequacy Ratio



Consolidated Regulatory Capital and Capital Adequacy Ratio



Note: Figures based on full implementation are calculated on the assumption that the current capital adequacy regulations (finalization of Basel III) will be applied, that there will be no capitalization of subordinated debt and land revaluation reserves, and that all of the intangible fixed assets and prepaid pension costs will be recorded as capital adjustments.

# Outlook for FY ending March 31, 2023

Earnings forecasts for the fiscal year ending March 2023 remain unchanged because the effects of financial market trends and price increases on the economy must be determined.

## Non-Consolidated

(100 million yen)

	FY 2022 (Ending Mar. 2023)		FY 2022 (Ended Mar. 2021) Completed
	Forecast	Year on Year	
Ordinary revenue	374	-12	386
Ordinary profit	67	-2	69
Net income	48	-3	51

## Consolidated

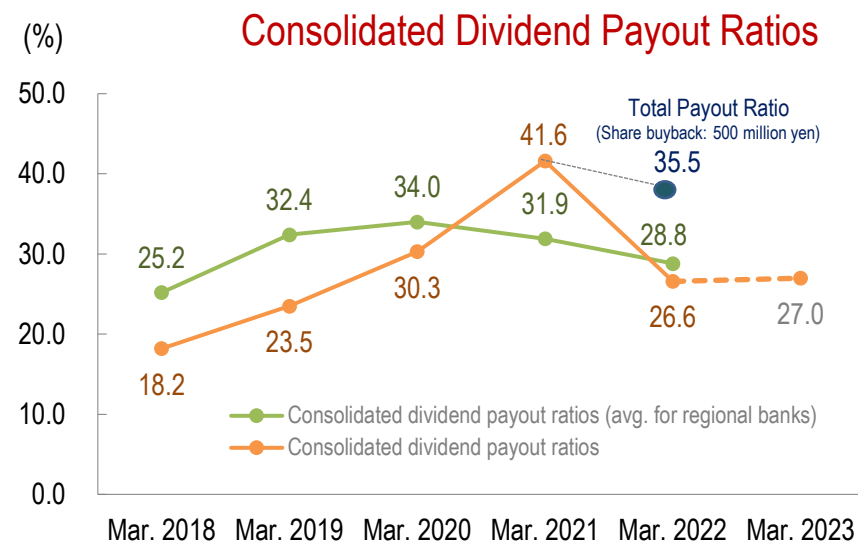
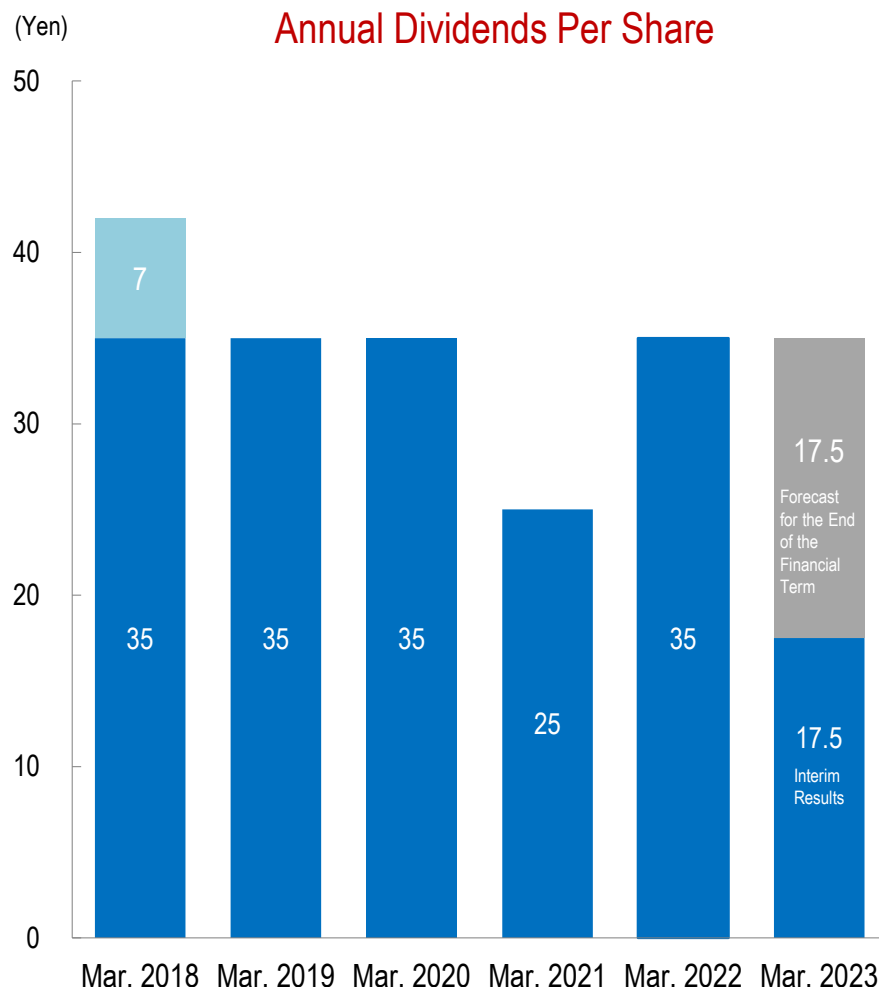
(100 million yen)

	FY 2022 (Ending Mar. 2023)		FY 2022 (Ended Mar. 2021) Completed
	Forecast	Year on Year	
Ordinary revenue	560	-10	570
Ordinary profit	80	+1	79
Profit for the period attributable to owners of the parent	55	-0	55

Note: Year-on-year calculation is spreadsheet based.

# Dividends

Based on our basic dividend policy, we plan to pay a year-end dividend at the same level as FY 2021.



## Basic Dividend Policy, etc.

### Basic Dividend Policy

- Our basic policy on dividend payouts is to continue strengthening internal reserves while paying dividends based on comprehensive and thorough consideration of business results, the financial environment, future shareholder value improvements and other such factors.

### Dividend for Mar. 2023

- For end-of-year payments for the fiscal year ending on March 31, 2023, we plan to pay dividends equivalent to March 31, 2022 payments.

Note: Mar. 2018 dividends included a commemorative payout of 7 yen in celebration of the 70th anniversary of the Bank's founding.





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# 4

## Distinctive Measures

- Information Disclosure Based on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Measures to Address Climate Change Issues
- Measures Through Our Alliances
- COVID-19 Crisis Responses and Okinawa's Economic Outlook
- Digital Transformation (DX) Measures



Received the grand prize in the 31st (Fiscal 2022) Bingata Design Contest

“Garden of the Sun” Kiwako Sakamoto

# Information Disclosure Based on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

## Governance

### Sustainability Committee

- With the president as Sustainability Committee chairperson, the board member in charge of General Planning Department as Committee vice-chairperson, and managers of relevant departments and divisions as members of the committee, deliberation and discussion on various ESG (environmental, social and governance) issues is carried out once per quarter, and results are reported to the Board of Directors.

### Sustainability Subcommittee

- With the General Planning Department manager as Sustainability Subcommittee chairperson, discussion is held in collaboration with all relevant departments and divisions regarding implementation of concrete measures aimed at achieving zero carbon emissions.

## Strategy: Scenario-based Analysis (Risk Amounts through 2050)

### Physical Risk Based on 2°C and 4°C Temperature-rise Scenarios\*1

- Loss from effects on collateral value of Bank-owned real estate (buildings) from typhoon damage, heavy rain damage and other weather-related damage (additional credit-related costs as part of overall credit-related costs):  
**Approx. 400 million yen**
- Damage caused to facilities and equipment at Bank branch locations:  
**Approx. 500 million to 1.1 billion yen**

### Transition Risk

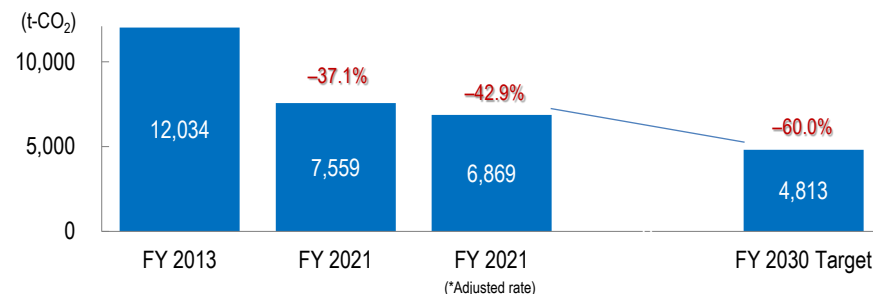
- Additional credit-related costs resulting from cost increases related to carbon tax introduction as well as business model changes, increase of capital investment and similar in response to energy-source shifts for the electricity, gas and water sectors; and additional credit-related costs due to air travel restrictions along with resulting tourist number declines and other changes in the restaurants and lodging sector:  
**Approx. 5.1 billion yen (max.)**

\*1 Analysis based on the lowest-temperature-rise scenario (RCP 2.6; 2°C temperature rise) and highest-temperature-rise scenario (RCP 8.5; 4°C temperature rise) from among 100-year temperature-rise scenarios formulated based on Intergovernmental Panel on Climate Change (IPCC) research.

## Indicators and Targets

### Scope 1 and 2 Greenhouse Gas Emissions

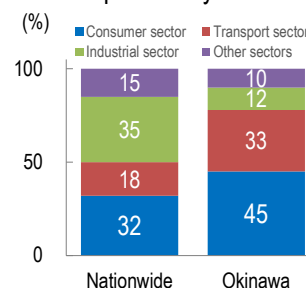
- With a deadline of FY 2030, we have set the target of a **60 percent reduction** from the FY 2013 level.



Note: The figure after using the "Uchina CO<sub>2</sub> free menu" plan offered by the Okinawa Electric Power Company, which features electricity derived from renewable energy sources.

### Scope 3 Greenhouse Gas Emissions

- CO<sub>2</sub> emission volumes from the consumer sector (households) in Okinawa Prefecture accounted for 45 percent, which is higher than the national average. Therefore, it is necessary to reduce CO<sub>2</sub> emissions from the consumer sector in order to achieve the end goal of a zero-carbon-emissions society.
- When carrying out calculations for scope 3 category 15, "Investments," we focused on mortgage loans, apartment loans and other housing-related loans which account for roughly 60 percent of the Bank's total loan portfolio, and calculated per-household CO<sub>2</sub> emissions based on calculation methods stipulated by Partnership for Carbon Accounting Financials (PCAF).



Source: Greenhouse Gas Inventory Office of Japan, National Institute for Environmental Studies

### Scope 3 Category 15: Investments

	FY 2013	FY 2020	Increase/Decrease
Greenhouse gas emissions from households (unit: t-CO <sub>2</sub> )	155,634	194,842	125.1%
Financing for mortgage and apartment loans (unit: 100 millions of yen)	6,507	8,272	127.1%



# Measures to Address Climate Change Issues

## Future Measures Related to TCFD and Scope 3 Emissions

### Reducing Scope 3 Greenhouse Gas Emissions

- Through financing promotion measures aimed at zero-energy homes (ZEHs), zero-energy buildings (ZEBs), and buildings certified under the Building-Housing Energy-efficiency Labeling System (BELS), we are taking proactive steps to reduce greenhouse gas emission volumes for Okinawa Prefecture as a whole.
- Regarding greenhouse gas emissions for Scope 3 Category 15, "Investments," we will conduct deliberations and discussions via the Sustainability Committee and publicize reduction targets at a later date.

## Measures in Response to Regional Environmental Issues

In order to realize a decarbonized society in Okinawa Prefecture, we have built the Ryukyu net ZERO Energy Partnership (ZEP Ryukyu).

- In order to realize a decarbonized society in Okinawa Prefecture, we built a partnership among companies involved in ZEH/energy-saving housing construction with the aim of spreading ZEH/energy-saving houses in the Prefecture.
- We will promote cooperation related to ZEH/energy-saving housing construction by introducing businesses involved in improving know-how related to ZEH/energy-saving housing construction and businesses involved in energy-saving calculations.

Note: As of the end of Sep. 2022, there are 48 participating companies.



### SDG Support Services for Businesses

- We provide support for visual representation and tracking of progress toward achievement of Sustainable Development Goals (SDGs), as well as creation of SDG-related declarations, among corporations and independent business operators in Okinawa Prefecture.
- By providing the most appropriate solutions to our customers, we serve as trusted partners in efforts to track the progress of achievement of the SDGs.



## New Loan Products in Response to Environmental Issues

### Addition of ZEHs\*1 and BELS\*2 Certified Buildings/Homes as Mortgage and Apartment Loan Preferential Interest Rate Eligible Categories

- By adding ZEHs, which are environmentally friendly, certified homes, as well as BELS-certified apartment buildings and homes, as loan categories eligible for preferential interest rates, we are actively pursuing financing carried out with consideration for the environment.

\*1 ZEH (Net Zero Energy House): Houses to aim for a balance of zero annual primary energy consumption by introducing highly efficient equipment and systems, realizing substantial energy-saving with maintaining the quality of indoor environment, and introducing renewable energy

\*2 BELS: System in which the third-party evaluation organization evaluates and certifies energy saving performance in new and existing buildings

## Bank Efforts Aimed at Solutions to Environmental Problems

### First-ever ZEB\* Certification for an Okinawa Prefecture Financial Institution

- We achieved "Nearly ZEB" at the Bank of the Ryukyus Headquarters Branch, and "ZEB Ready" at the Urasoe/Makiminato Branch, Gushikawa Branch, and Chatan Branch.

Note: "Zero-energy building," referring to a building with net-zero energy consumption. Buildings are ZEB-certified in one of four categories based on their annual energy-consumption reduction rate: a building with a reduction rate of 100% or more is certified as "ZEB," a building with a 75% or higher rate as "Nearly ZEB," a building with a 50% or higher rate as "ZEB Ready," and a building with 40% or higher rate as "ZEB Oriented."

### "ZEB Oriented" Certification for the New Construction of the Headquarters Building

- The new headquarters building, for which construction was started in May 2022, is planned to receive "ZEB Oriented" certification thanks to its use of energy- and resource-saving environmental measures.



# Measures Through Our Alliances

While calling upon the knowledge and experience of multiple alliances and their member organizations, we strive to achieve more sophisticated financial services.

## TSUBASA Alliance

### Establishment of the Business Strategy Department within Joint-stock Corporation TSUBASA Alliance Co., Ltd.

- The newly established Business Strategy Department carries out planning, makes declarations and engages in other such efforts aimed at joint pursuits and consolidation of efforts related to shared problems and challenges in the areas of “digital transformation (DX) measures,” “human resource training and diversity,” “ESG (environmental, social and governance) issues and the Sustainable Development Goals (SDGs),” “information collection and utilization,” “measures related to new business,” and more.

### Use of the Shared TSUBASA Fintech Platform and API Collaboration with Zaim

- Zaim Inc. provides Japan’s largest-scale online household accounting service for non-corporate users, through which users can register their bank account and credit card information in order to create automated home account books while managing assets for multiple accounts at once.
- By interlinking our application programming interface (API) with Zaim’s software, we provide safe and seamless collaboration between Bank of the Ryukyus and Zaim services.

### Provision of the “Bank of the Ryukyus App” Smartphone Banking App

- The Bank of the Ryukyus App utilizes the TSUBASA Fintech shared platform to provide a wide range of financial services in a trustworthy, straightforward and convenient manner.



The TSUBASA Alliance is a wide-reaching alliance framework comprising 10 regional-bank members. These include The Chiba Bank, Daiichi Hokuetsu Bank, Chugoku Bank, The Iyo Bank, The Toho Bank, North Pacific Bank, The Musashino Bank, Shiga Bank, Bank of the Ryukyus and The Gunma Bank.



## Okinawa Economic Revitalization Partnership

### Standardization of Paperwork and Processes for Deposits and Other Inheritance-related Procedures

- By unifying paperwork and procedures, including inheritance-related notice submissions, between Bank of the Ryukyus and The Bank of Okinawa, we reduce the burden on customers and offer greater customer convenience.

### Provision of All-inclusive Inheritance Procedures in One Place

- As an extension of the abovementioned efforts to standardize inheritance-related paperwork and processes, we have made it possible for customers to complete procedures all at one location in cases where separate procedures would normally be required at two different banks. This is made possible by having the customer come to just one of the two banks in question, and then having that one bank receive and process all necessary paperwork for both organizations.

### “Yorozu Support Center” Business Consultations for SMEs and Smaller-scale Business Operators

- The Yorozu Support Center was established in the Yaeyama region to provide reliable support for local business operators, aiming to promote more sustainable economic development in the area and help customers who face troubles amid the COVID-19 crisis.
- The Center offers free consultations with specialists regarding business management and operations, helping Bank of the Ryukyus provide support to an even wider range of business customers.

The Okinawa Economic Revitalization Partnership is a comprehensive partnership between Bank of the Ryukyus and The Bank of Okinawa intended to reduce costs through joint efforts aimed at Okinawa Prefecture economic revitalization, sharing of back-office tasks, and other such endeavors while maintaining the independence, unique corporate brands and customer bases of each banking.

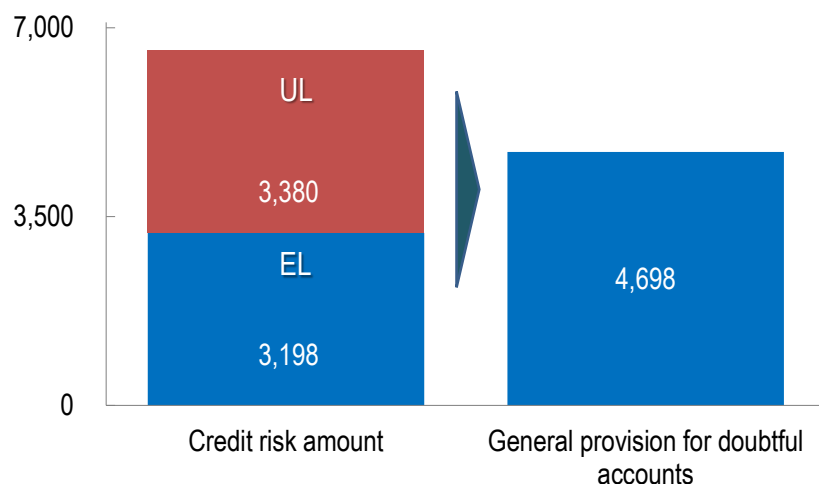
Bank of the Ryukyus utilizes forward-looking provisioning to achieve a framework that supports customers without fear of additional credit costs. This approach is an example of “gradually recovering” as described *Regional Economic Trends*, a government document released in September 2022 that covers economic and business conditions within Okinawa Prefecture

## Forward-looking Provisioning

### Ensuring Sufficient Provisioning Amid the COVID-19 Crisis

- The general provision for doubtful accounts was 4.6 billion yen as of September 30, 2022, with expected loss exceeding 3.1 billion. We achieved 70% preservation in regard to the 6.5 billion yen of total credit risk, which includes unexpected loss.

Credit risk amount (VaR)



\*EL Expected loss: Average predicted loss value for loans over a specified time period, with consideration taken for the possibility of irrecoverable debt, over a specified time.

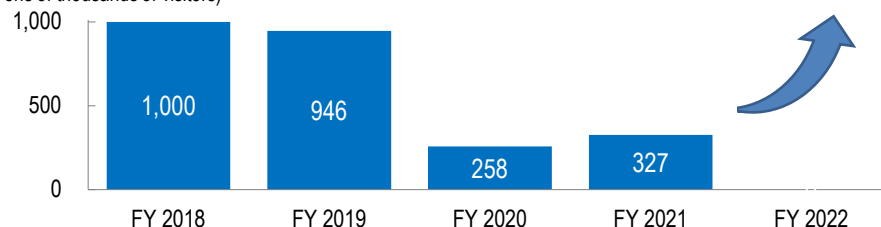
\*Unexpected loss: For a loan portfolio comprising multiple loans, the maximum predicted loss amount based on a fixed probability, minus the average expected loss amount.

## Tourism in Okinawa Prefecture

### Changes in Okinawa Prefecture Tourist Numbers and Future Outlook

- The number of incoming tourists in the first half of FY 2022 was approximately 3 million, an increase of 119.7% YOY. The number of domestic tourists increased because there were no restrictions on movement.
- In addition, restrictions on immigration for foreign tourists have been eased in stages. Air routes with South Korea (Incheon-Naha) resumed in August, and air routes with Taiwan (Taipei-Naha) resumed in October. An increase in the number of foreign tourists can be expected in the future.

(Tens of thousands of visitors)



Excerpts from Cabinet Office's *Regional Economic Trends in Okinawa*  
(Published September 15, 2022)

	Previous (March 2022)	Most Recent (Sep. 2022)	
Economic-climate determination	Indications of moves toward recovery	Recovering slowly	↑
Tourism	Indications of moves toward recovery	Recovering slowly	↑
Individual consumption	Recently, moves toward recovery visible	Recovering slowly	↑
Employment	Indications of moves toward recovery	Recovering	↑

# Digital Transformation (DX) Measures

Through the use of digital technologies, we are striving to bolster our productivity, earning capacity and corporate value while contributing to the local region.

## Making Ryucom a subsidiary

**Making an IT-related company, Ryucom, a subsidiary (scheduled for Dec. 2022)**

- The new Ryucom (the company that took over the IT business from the former Ryucom), which was newly established through a corporate split, will become a wholly owned subsidiary of the Bank of the Ryukyus after obtaining approval, etc., for the advanced banking service company.

[Reference] Overview of former Ryucom: FY ended Mar. 2022

Establishment	Dec. 1973	Net sales	3,330 million yen
Details of the business	IT-related business	Net income for the current FY	196 million yen
Capital	50 million yen	Total Assets	5,429 million yen
No. of Employees	223	Net asset	2,460 million yen

## Working-style Reforms

**Switch to Microsoft Cloud Services (Office 365) for In-house Information Sharing**

- We have switched our software over to Microsoft cloud services including Office 365. These include a portal site as well as various information-sharing tools such as portal services, e-mail, scheduling, chat functions, an in-house social media platform, and more.
- These abovementioned software adoptions enable the use of workflow and information sharing tools on all devices in bank operations (computers, iPads and iPhones), and facilitate more efficient operations and communication.

**Certified as a  
“DX Certified Business Operator”**



- In August 2022, Bank of the Ryukyus was certified as a “DX certified business operator” as the fourth company (fifth case) in Okinawa Prefecture under the DX (digital transformation) certification system established by the Ministry of Economy, Trade and Industry.

## Six Key Performance Indicators (KPIs) for Achieving DX

### KPIs Aimed at Customer Service Improvements

#### KPI 1

Reach a cumulative app user count of 100,000



Provision of a Bank app to offer customers a wide range of financial services in a trustworthy, straightforward and convenient manner to offer greater customer convenience

#### KPI 2

Introduction of “Remote Consultation Counters” at 10 bank locations



Reduction of waiting times through reservation-only consultation services, and provision of services by dedicated headquarters-based employees in pursuit of greater customer satisfaction

#### KPI 3

Reach 660,000 annual uses for barcode- and QR-code-based payment form processing



Improve teller-operation efficiency in order to reduce customer wait times in banks

### KPIs Aimed at Teller Working Style Reforms

#### KPI 4

Headquarters work efficiency improvements that eliminate 16,800 hour of labor



Improved teller work efficiency via IT tool usage in order to bolster productivity

#### KPI 5

50,000 electronic workflow applications per year



Elimination of paper printouts and personal seal usage for in-house procedures to speed up processes leading to final-approval decisions

#### KPI 6

250 IT Passport acquisitions (including top-ranking certifications)



Provision of support for teller skill improvements that foster the abilities needed to utilize information correctly, make better use of IT, etc.



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Information is based on guidelines of published data, and some totals presented in this document may not add up due to rounding. In addition, because calculations may involve the use of our unique definitions for illustration and comparison purposes, the numbers presented in this document may not match the published figures.

This document contains information about the future (forward-looking information) such as forecasts, outlooks, objectives and plans concerning the Bank of the Ryukyus. Said forward-looking information was created based on information available as of November 8, 2022 and does not represent a guarantee of future performance.

Certain assumptions and hypotheses are used for descriptions of forward-looking information, but these assumptions and hypotheses may be inaccurate from an objective perspective and may not materialize in the future. Forward-looking information involves risks and uncertainties, so we ask readers to refer to earnings briefs and annual reports from the Bank for more details. The Bank will not update any forward-looking information contained in this document.